



Annual Report 2018



Every member. Every moment. Health matters.

Missouri Consolidated Health Care Plan
A Component Unit of the State of Missouri
2018 Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

An aerial photograph of a city skyline, likely St. Louis, Missouri, featuring a large bridge spanning a wide river. The image is in grayscale and serves as the background for the document.

Missouri Consolidated Health Care Plan

www.mchcp.org

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832 Weathered Rock Ct.

PO Box 104355

Jefferson City, MO 65110

Annual Report 2018



my health. my choice. myMCHCP

Missouri Consolidated Health Care Plan
A Component Unit of the State of Missouri
2018 Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

Table of Contents

Introduction

Letter from the Executive Director	6-9
Certificate of Achievement	10
MCHCP Organization	11
Letter from the Chairperson	12-13
Professional Services	15
Board of Trustees	16-17
Summary of Plan Provisions	18-22

Financial

Report of Independent Auditors	24-25
Management's Discussion & Analysis	26-37
<u>Internal Service Fund</u>	
Statement of Net Position	38
Statement of Revenues, Expenses & Change in Net Position	39
Statement of Cash Flows	40
<u>State Retiree Welfare Benefit Trust</u>	
Statement of Fiduciary Net Position	42
Statement of Change in Fiduciary Net Position	43
Notes to Financial Statements	44-65

Required Supplementary Information

Schedule of Claims Development	68-69
Summary of Key Actuarial Methods & Assumptions	70-71
Schedule of Changes in the Net OPEB Liability and Related Ratios	72-73
Schedule of Funding Progress	74
Schedule of Employer Contributions	74
Schedule of Annual Money-Weighted Rate of Return on Investments	75
Schedule of the Proportionate Share of the Net Pension Liability	76
Schedule of Contributions	77
Notes to Required Supplementary Information	77

Investments

Investment Advisor Statement	80
Schedule of Investment Results	81
Schedule of Asset Allocation	82
List of Largest Assets Held	83
Schedule of Investment Fees	83

Table of Contents (continued)

Actuarial

Purpose and Actuarial Statement	86-87
<u>Section 1</u>	
Summary of Key Results	88
Annual Required Contribution, Assets & Obligations	88
Comments on Results	89
Participant Information	90
<u>Section 2</u>	
Accounting Exhibits	91
Actuarially Determined Contribution	91
Supplemental Information	92
Statement of Plan Fiduciary Net Position	93
Statement of Changes in Plan Fiduciary Net Position	94
Summary of Assumptions and Methods	95
Valuation Liabilities by Employee Group (in millions)	96
Cashflow Projections	97
Change in Net OPEB Liability	98
<u>Section 3</u>	
Participant Information	99
Age and Service Distribution of Participating Employees	100
<u>Appendix A</u>	
Statement of Actuarial Assumptions and Methods	101-108
<u>Appendix B</u>	
Summary of Principal Plan Provisions	109-110
<u>Appendix C</u>	
Discount Rate Development	111
<u>Appendix D</u>	
Glossary	113-114

Statistical

Historical Data: Revenues by Source, Expenses by Type	118
Distribution of Claim Payments	119
Healthcare Options by Year & Total Lives	120
Statement of Revenues, Expenses & Change in Net Position	122-123
Statement of Change in Fiduciary Net Position	124-125
Schedule of Net Position by Component, Full-Time Employees	126
Paid Claims Distribution by Individual	127
State Membership Enrolled in MCHCP	128
State Enrollment History, Enrollment Distribution	129
Public Entity Membership Enrolled in MCHCP	130
Public Entity Enrollment History, Enrollment Distribution	131
Plan Demographics, State & Public Entity	132-133

An aerial photograph of an industrial facility, likely a power plant or refinery. Several tall, dark smokestacks are visible, emitting plumes of smoke or steam. The facility includes various buildings, pipes, and infrastructure. The background shows a hazy, overcast sky.

Introduction

Letter from the Executive Director



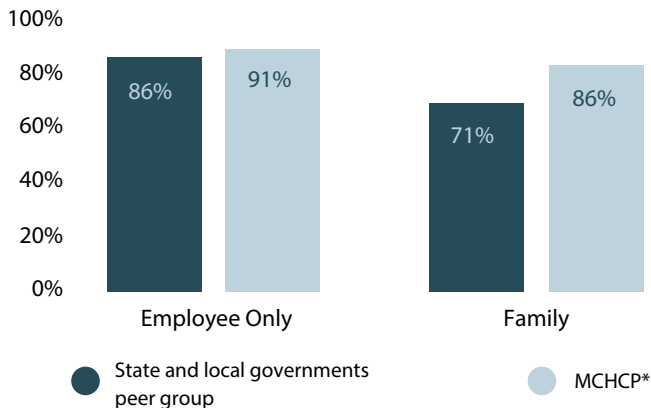
It is with great pleasure that I submit the annual report of the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2018. MCHCP is a component unit of the state of Missouri for financial reporting purposes and as such, the financial reports are also included in the state of Missouri's Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of management of MCHCP and sufficient internal accounting controls exist to provide a reasonable assurance regarding safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. Systems and procedures are evaluated in conjunction with the Board of Trustees, MCHCP management and Internal Audit to provide assurances that internal controls exist and are functioning to promote objectives while minimizing risk. Reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived; the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of material misstatements. The report is also designed to comply with the provisions of section 103.025 of the Revised Statutes of Missouri (RSMO) as amended. Financial information can be found in the management discussion and analysis, financial statements, notes to the financial statements and statistical sections included in this report.

As the theme for MCHCP's 2018 communications, "Every member. Every moment. Health matters," working together for improved health and its relationship to the financial strength of the Plan has never been more critical. The completion of fiscal year 2018, was the culmination of a challenging fiscal period. The Plan realized marked increases in high cost claimants in both medical and pharmacy expenditures. Increases in our population health risks continue to contribute to the medical expenditures of the Plan.

During the fiscal year ended June 30, 2018, the state of Missouri contributed more than \$403 million, or approximately 67 percent of revenues, to the Plan in the form of employer-sponsored contributions. Member contributions for our state members exceeded \$133 million while revenues for public enrollment approached \$7.6 million. As the chart presents, even among a challenging financial climate MCHCP premiums compare favorably against our state and

local government peer group. As the Plan experienced increased high cost claimants and rising pharmaceutical costs especially in specialty drugs for the fiscal year, the Plan utilized over \$78 million in Plan assets for claims expenditures not covered by contributions. The financial strength of the Plan remains reliant on the financial support from the State, premium contributions from members, critical plan design changes and improving the health risk profiles of our membership.

MCHCP Share of Premium - 2018



**Contributions from the state and MCHCP trust fund.*

Reference: Bureau of Labor Statistics news release, March 2018.

This report is a product of the combined efforts of the MCHCP staff and the Board of Trustees. It is intended to provide reliable information as a basis for making management decisions, for determining compliance with legal provisions and for evaluating the condition of the fund. Brown Smith Wallace LLC, conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. MCHCP has received an unmodified opinion from our independent auditors whose report can be found on pages 24-25.

This annual report is provided to the Governor, the State Auditor, members of the General Assembly, all state agencies and all participating public entities and is viewable at www.mhcp.org. The cooperation and support of these individuals and agencies help contribute to our success. Also, for the Board of Trustees, I extend my gratitude to the staff who work tirelessly to provide the quality member service you have come to expect from MCHCP.

For the twenty-third year in a row, MCHCP was pleased to receive the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to qualify, a government unit must publish a report conforming to all GFOA standards. MCHCP will continue to strive for such recognition with its submission of our current report for consideration to GFOA.

I welcome your suggestions for the continued success and improvements of your health plan, MCHCP.

Yours in health,

A handwritten signature in black ink, appearing to read "Judith Muck". The signature is fluid and cursive, with the first name "Judith" being more prominent than the last name "Muck".

Judith Muck
Executive Director
December 13, 2018

Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Missouri Consolidated
Health Care Plan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Merrill

Executive Director GFOA

MCHCP Organization



Judith Muck
Executive Director

Benefit
Administration

Vendor
Relations

Internal
Audit



Stacia G. Fischer
Chief Financial Officer

Fiscal

Research



Julie K. Watson
Chief Population Health Officer

Population
Health

Clinical
Services



Bruce R. Lowe
Chief Information
Officer

Information
Technology

Receiving
Services

Multimedia
Communications



Jennifer Stilabower
General Counsel

Legal

Human
Resources

Letter from the Chairperson



It is my distinct pleasure to present to you, on behalf of the Board of Trustees, the Comprehensive Annual Financial Report for the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2018.

As Chairperson, I am honored to serve on the MCHCP Board of Trustees. At my request, James R. McAdams, Deputy Commissioner and General Counsel of the Office of Administration serves as my designee on the MCHCP Board of Trustees. Employee health benefits are a valuable component offered to our state workforce and as acting fiduciaries for the Plan, we understand the importance these benefits are in our member's lives. Maintaining affordable coverage in challenging economic times was at the forefront of the Board's attention and focus during fiscal year 2018.

The Board of Trustees, supported by the Plan's management, has designed and implemented internal and accounting controls in providing reasonable assurances of the financial records and safekeeping of Plan assets while incorporating financial transparency to those interested in the results of operations. During fiscal year 2018, the Plan received more than \$403 million in state appropriations, an increase of \$9 million over fiscal year 2017, toward the maintenance of the state's share of employee health care benefits. State members contributed over \$133 million toward their share of premium and return on investment totaled more than \$5.9 million. As the Plan experienced increases in high cost claimants and increases in medical and specialty pharmacy drugs claim costs, the use of over \$78 million in trust assets was necessary to fund Plan claims costs.

MCHCP expenditures for self-funded medical and pharmacy benefits, and fully-insured dental and vision benefits during fiscal year 2018 were approximately \$658 million; an increase of approximately 10 percent over fiscal year 2017. Statistically, the healthiest 22 percent of MCHCP membership, account for one percent of health care expenditures, while the least healthy eight percent account for 43 percent of health care expenditures. As we move forward in challenging budgetary climates, we look to the right combination of state funding, benefit design, member contributions, and improving member health to support claims and operational expenditures of the Plan.

On behalf of the Board of Trustees, we are appreciative of the more than 96,000 state and public members we serve and the dedicated MCHCP staff, advisors and vendors who have worked tirelessly in the administration of the Plan. We look forward to working together toward our efforts to provide affordable and comprehensive health coverage.

Respectfully,

A handwritten signature in dark ink, appearing to read "Sarah Steelman".

Sarah Steelman

Chairperson

Board of Trustees

December 13, 2018



Professional Services

AUDIT SERVICES

Brown Smith Wallace, LLP
Claim Technologies Incorporated

BANKING

Central Bank

CONSULTING

Willis Towers Watson

DECISION SUPPORT SYSTEM

IBM Watson Health

EMPLOYEE ASSISTANCE PROGRAM

ComPsych

HEALTH SAVINGS ACCOUNT (HSA)

Central Bank

MEDICAL THIRD PARTY ADMINISTRATOR

UMR

Aetna

PHARMACY BENEFIT MANAGER

Express Scripts, Inc.

VISION PROGRAM

National Vision Administrators

DENTAL PROGRAM

Delta Dental

HEALTH CENTER

Cerner

Board of Trustees



Chairperson
Sarah H. Steelman
Commissioner
Office of Administration
Jefferson City
Ex Officio Member



Vice Chairperson
Daniel O'Neill
Kirkwood
Governor-Appointed
Member



Honorable Kip Kendrick
Missouri House of
Representatives
District 045
Appointed by the
Speaker of the House
of Representatives



Honorable John Rizzo
Missouri Senate
District 011
Appointed by the
President Pro Tem of
the Senate



Honorable David Sater
Missouri Senate
District 029
Appointed by the
President Pro Tem of
the Senate



Viola Schaefer
Jefferson City
Governor-Appointed
Member



Mark A. Langworthy
Columbia
Governor-Appointed
Member



Chlora Lindley-Myers
Director
Department of Insurance,
Financial Institutions &
Professional Registration
Jefferson City
Ex Officio Member



Linda Luebbering
Jefferson City
Governor-Appointed
Member



Randall W. Williams, MD,
FACOG
Director
Department of Health
and Senior Services
Jefferson City
Ex Officio Member



Honorable David Wood
Missouri House of
Representatives
District 058
Appointed by the
Speaker of the House
of Representatives

Two Governor-Appointed
Members were open as of
June 30, 2018.

Summary of Plan Provisions

VISION

To be recognized and valued by our members as their advocate in providing affordable, accessible, quality health care options.

PURPOSE

Established Jan. 1, 1994, the Missouri Consolidated Health Care Plan (MCHCP) or the Plan was created to provide health care benefits to most state employees, retirees and their dependents, and public entities within the state that join the Plan.

MISSION

To provide access to quality and affordable health insurance to state and local government employees. We will accomplish this by:

- Consolidating purchasing power and administration to achieve benefits not available to individual employer members
- Creating collaborations to ensure the needs of individual members are understood and met
- Ensuring fiscal responsibility
- Developing innovative delivery options and incentives
- Identifying and contracting with high-value plans
- Maintaining a high-quality and knowledgeable work force

ADMINISTRATION

MCHCP administers medical, dental and vision benefits and the Strive Employee Life & Family (SELF) program for most members of the Missouri State Employees' Retirement System, Judicial Retirement Plan, some members of the Public School Retirement System, legislators, statewide elected officials and eligible

public entity members. In addition, dental and vision benefits are available to employees and retirees of the Departments of Conservation and Transportation, and the Missouri State Highway Patrol. SELF program benefits are available to active employees eligible for MCHCP medical coverage and members of their household.

Missouri statutes provide that the administration of MCHCP be vested in a 13-member Board of Trustees. The Board is composed of:

- The Director of the Department of Health and Senior Services, serving ex officio
- The Director of the Department of Insurance, Financial Institutions and Professional Registration, serving ex officio
- The Commissioner of the state Office of Administration, serving ex officio
- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House of Representatives, appointed by the Speaker of the House of Representatives
- Six members appointed by the Governor with the advice and consent of the Senate. Of the six members appointed by the Governor, three shall be citizens of the state of Missouri who are not members of the Plan but who are familiar with medical issues. The remaining three members of the Board shall be members of the Plan.

The management of MCHCP is the responsibility of the Executive Director, who is appointed by the Board of Trustees and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to MCHCP and, with the approval of the Board, contracts for professional services and employs the staff needed to operate the organization.

MEDICAL PLANS

MCHCP offers three medical plans - the Health Savings Account Plan (HSA) Plan, and two Preferred Provider Organization (PPO) plans - the PPO 600 and the PPO 300. All three of MCHCP's medical plans offer the same benefits, such as:

- 100% coverage of preventive care - such as preventive exams, vaccinations, age-specific screenings and much more - when using a network provider.
- Choice of health care providers, pharmacies and hospitals from a nationwide network, usually at a lower cost.

HEALTH SAVINGS ACCOUNT PLAN (HSA PLAN)

The Health Savings Account (HSA) Plan is a qualified high-deductible plan that gives non-Medicare primary members access to network providers at a lower cost. MCHCP's HSA Plan has a lower or no-cost premium with a higher deductible, when compared to other MCHCP medical plans.

The Internal Revenue Service establishes maximum annual HSA contribution amounts, but there is no limit on the balance of the HSA. MCHCP contributes funds to active employee's HSAs on an annual basis. HSA funds can be used for qualified medical expenses.

PREFERRED PROVIDER ORGANIZATION (PPO) PLANS

MCHCP's PPO plans give MCHCP members access to network providers at a lower cost. The PPO 600 Plan has a moderately-priced premium and the PPO 300 Plan has the highest premium, when compared to other MCHCP medical plans.

The PPO plans have network benefits that require a deductible be met before claims are paid at 90%. Non-network benefits have higher out-of-pocket expenses.

PRESCRIPTION DRUG PLANS

MCHCP medical plan members are automatically enrolled in the prescription drug plan (PDP). Medicare primary members are enrolled in a Medicare Part D PDP. Both non-Medicare and Medicare primary PDPs use a broad network of retail pharmacies and one specialty pharmacy. The drug formulary covers a wide array of drugs and promotes the use of generics.

DENTAL PLAN

The dental plan offers comprehensive dental benefits through a nationwide network of participating providers. Preventive care, such as examinations and cleanings, is covered at 100 percent and does not count toward the plan year maximum benefit amount. Additional cleanings are provided for members who are pregnant, diabetic, have a suppressed immune system or have a history of periodontal therapy. The plan also covers fillings, extractions, root canals, bridges, dentures, crowns, the treatment of gum disease and other services with varying deductibles and coinsurance.

VISION PLAN

The vision plan offers vision benefits through a nationwide network of participating providers. Basic and premium plans are offered with set copayments for services received from network providers and allowances for services obtained from non-network providers. The plan covers examinations, lenses, frames, contact lenses and corrective laser surgery. Members can receive discounts on additional glasses and sunglasses from any provider, accepting those discounts, within 12 months of an eye exam.

STRIVE EMPLOYEE LIFE & FAMILY PROGRAM (SELF)

The Strive Employee Life & Family (SELF) program, previously called the Employee Assistance Program (EAP), is a confidential counseling and referral service that can help employees and their families reduce stress, improve health and enhance life balance. SELF program services are available at no cost to all state employees eligible for MCHCP medical coverage and members of their households. Eligible employees and members of their household can keep using SELF services for 18 months following retirement and through the month after they are laid off. Household members can also use the SELF program for six months after a subscriber's death.

The program offers behavioral health counseling services, legal and financial services, and identity theft and fraud resolution services. The SELF program also offers everyday support through FamilySource® to assist with every day issues such as child and elder care, moving and relocation, making major purchases, vacation planning and much more simply by calling or accessing expert help online.

STRIVE FOR WELLNESS® PROGRAM

The *Strive for Wellness*® program provides evidence-based initiatives and resources designed to help most members better understand and manage their health.

Major strategies focus on empowering members to proactively receive preventive health screenings, manage chronic diseases, and to lead overall healthier lives. *Strive for Wellness*® offers premium reductions for eligible members who participate in the Partnership and Tobacco-Free Incentives.

In addition, the *Strive for Wellness*® team - comprised of expert clinicians and health educators - teaches employees how to make smart lifestyle choices. The team creates Healthy Moment videos, Health Action Campaigns and leads health-education events and related activities, such as blood pressure screenings and an annual state employee 5K Run/Walk. Registered dietitians teach on-site weight management courses several times each year and registered nurses lead quit tobacco courses in state office buildings.

In an effort to broaden wellness opportunities to all state employees, particularly in regions located outside the capitol complex, wellness ambassadors and building wellness teams were created. These individuals and groups help organize on-site activities and services, reaching more employees where they work.

STRIVE FOR WELLNESS® HEALTH CENTER

The *Strive for Wellness*® Health Center brings basic health care to active state employee subscribers enrolled in an MCHCP medical plan. The Center offers routine care for common illnesses, basic preventive care, and behavioral health counseling services, at hours designed to fit into a hectic workday. It is conveniently located in Jefferson City's Harry S Truman Building.





Financial

Report of Independent Auditors



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A MISSOURI LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Trustees
Missouri Consolidated Health Care Plan
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of each of the two major funds (Internal Service Fund and State Retiree Welfare Benefit Trust) of Missouri Consolidated Health Care Plan (the "Plan") as of and for the fiscal year ended June 30, 2018, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AN INDEPENDENT FIRM ASSOCIATED WITH MOORE STEPHENS
MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
BROWN SMITH WALLACE IS A MISSOURI LIMITED LIABILITY PARTNERSHIP

Report of Independent Auditors

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Plan as of June 30, 2018, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

U.S. generally accepted accounting principles require management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Introductory and Statistical Sections

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Brown Smith Wallace, LLP

St. Louis, Missouri
December 10, 2018

Management's Discussion & Analysis

Management's discussion and analysis provides an overview of the financial position and activities of the Missouri Consolidated Health Care Plan (MCHCP) for the fiscal years ended June 30, 2018 and 2017. The information presented here should be considered in conjunction with the financial statements and notes. MCHCP is a component unit of the State of Missouri and is included in the State's Comprehensive Annual Financial Report (CAFR).

MCHCP's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

FUND ACCOUNTING

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MCHCP, like other discretely presented component units of the State of Missouri (as defined by GASB Statement #14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The Internal Service Fund (ISF) is considered to be a proprietary fund while State Retiree Welfare Benefit Trust (SRWBT) is classified as a fiduciary fund. MCHCP does not have any governmental funds.

Proprietary funds. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of those goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MCHCP maintains one type: internal service fund. Internal service funds account for the financing of goods or services provided by one governmental department or agency to another and are expected to be self-supporting through charges to users. MCHCP's purpose is to provide medical insurance benefits to the State of Missouri's and other participating Missouri public entities' employees, retirees, and their dependents.

Fiduciary funds. Fiduciary funds account for assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. Fiduciary fund accounting is similar to that used for proprietary funds. The purpose of the SRWBT is to provide health and welfare benefits for the exclusive benefit of current and retired employees of the State and their dependents who meet eligibility requirements, except for those retired members covered by other post-employment benefit (OPEB) plans of the State.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. Typically, governmental financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the Plan has only proprietary and fiduciary funds, government-wide financial statements are not presented. Proprietary funds present financial statement information in the same manner as government-wide financial statements only with more detail, and government-wide financial statements would be repetitive. In addition, fiduciary funds are not reflected in government-wide financial statements because the resources of that fund are not available to support MCHCP's own programs.

MCHCP presents the ISF and SRWBT on separate fund financial statements. For the ISF, the basic financial statements are comprised of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. For SRWBT, the basic financial statements are comprised of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Notes to the Financial Statements are also part of the basic financial statements and apply to both the ISF and SRWBT. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental benefit plans.

The Statement of Net Position and Statement of Fiduciary Net Position present MCHCP's financial position as of the end of the fiscal year for each fund. Information is displayed as assets and liabilities, with the difference between the two reported as net position or deficit. The net position of MCHCP reflect the resources available as of the end of the fiscal year to pay benefits to members when due. Over time, increases and decreases in net position measure whether MCHCP's financial position is improving or declining.

The Statement of Revenues, Expenses and Change in Net Position and the Statement of Changes in Fiduciary Net Position present information detailing the revenues and expenses that resulted in the change in net position that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-funded plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

The Statement of Cash Flows presents the cash inflows and outflows of the ISF categorized by operating, capital and related financing, and investing activities. It reconciles the beginning and end of year cash balances contained in the Statement of Net Position. The effects of accrual accounting are adjusted out and noncash activities, such as depreciation, are removed to supplement the presentation in the Statement of Revenue, Expenses and Change in Net Position. A statement of cash flows is not required for the SRWBT.

The Notes to Financial Statements follow the above basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

The following tables present summarized financial position and results for the fiscal years ending June 30, 2018 and 2017. Additional details are available in the accompanying basic financial statements.

Summary Comparative Statements of Net Position

Current assets for the ISF decreased for the year ended June 30, 2018 due to decreases in cash and cash equivalents as a result of operating activities. The Plan experienced increases in high cost claimants that attributed to overall increases in claims costs. Capital assets reflect primarily purchases in technology and data protection and have remained relatively constant for the periods ended June 30, 2018 and 2017, respectively. Since the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Plan has recognized deferred outflows of resources for pension contributions made and expensed of \$2,662,699 and \$2,562,281, respectively for the periods ended June 30, 2018 and 2017. Accrued medical claims and fees increased for the ISF for the year ended June 30, 2018 over 2017, due primarily to increases in high cost claimants and to a lesser degree non-high cost claimants costs. Overall, claims costs and actuarially projected incurred but not reported claims costs are influenced by health risk profiles of plan participants for the period and estimates are reflective of the active enrollment and medical trend projections during the year.

Unearned premiums and other liabilities for the periods ended June 30, 2018 and 2017 are primarily influenced by the State's contribution at June 30th for each of the years ended and the level of contribution applicable to each receipt. For the ISF unearned premiums at June 30, 2018, increased slightly over fiscal year 2017, due primarily to the State's contribution at June 30, 2018 and the respective levels of appropriated funding from the State included with these receipts. Unearned premiums and other liabilities are most significantly influenced by the state's payroll cycle and the amount, timing, and enrollment mix of receipt of premium payments to MCHCP prior to the effective date of coverage.

Noncurrent liabilities existing at June 30, 2018 and 2017 reflect the Plan's net pension liability related to GASB 68, *Accounting and Financial Reporting for Pensions*, of \$7,979,229 and \$7,265,764, respectively.

Net position represents the value of the ISF's assets after liabilities are deducted. The decrease in net position for the ISF at June 30, 2018 over 2017, is primarily the result of increases in medical and pharmacy expenses associated with utilization and claim unit costs and their impact on plan assets and liabilities. Due to the level of appropriation, it became necessary to utilize state appropriations, and member contributions in combination with plan assets to fully fund the claim costs and operations expenses, thus reducing available assets of the ISF. The MCHCP Board of Trustees continues to assess the best and appropriate combination of benefit design with available funding from both the State and members. Ultimately, claims costs for state employees are backed by the state of Missouri should contributions not be sufficient to cover claims expenditures and operational costs of the Plan.

Summary Comparative Net Position

Internal Service Fund

	As of June 30, 2018	As of June 30, 2017	Amount of Change	Percentage Change
ASSETS				
Current assets	\$71,541,115	\$147,011,197	(\$75,470,082)	(51.34%)
Capital assets	287,155	283,032	4,123	1.46
Deferred Outflow of Resources	2,662,699	2,562,281	100,418	3.92
Total Assets and Deferred Outflow of Resources	\$74,490,969	\$149,856,510	(\$75,365,541)	(50.29%)
LIABILITIES				
Accrued medical claims & fees	\$49,581,608	\$45,570,385	\$4,011,223	8.80%
Unearned premiums & other liabilities	37,041,694	34,435,011	2,606,683	7.57
Total current liabilities	86,623,302	80,005,396	6,617,906	8.27
Total noncurrent liabilities	7,979,229	7,265,764	713,465	9.82
Deferred Inflow of Resources	\$274,497	139,784	\$134,713	96.37%
Total Liabilities and Deferred Inflow of Resources	\$94,877,028	\$87,410,944	\$7,466,084	8.54%
NET POSITION				
Unrestricted	(\$20,673,214)	\$62,162,534	(\$82,835,748)	(133.26%)
Net investment in capital assets	287,155	283,032	4,123	1.46
Total Net Position	(20,386,059)	62,445,566	(82,831,625)	(132.65)
Total Liabilities and Net Position	\$74,490,969	\$149,856,510	(\$75,365,541)	(50.29%)

Summary Comparative Statement of Fiduciary Net Position

Cash and cash equivalents increased primarily to the timing of investment strategies and activity as approved by the Board of Trustees and performed by the Plan's investment manager. Investments remained relatively stable at June 30, 2018, in comparison to June 30, 2017, due to the overall performance of the fund and the concentration mix of scheduled available assets.

Prescription drug rebates for the SRWBT increased during fiscal year 2018, as a result of the Plan's increases in pharmacy and specialty drug expenditures and the related direct and coverage gap discounts associated with those payments. Contractual improvements associated with pharmacy market check provisions increased per script returns while bolstering rebate revenues.

Contractual market check provisions associated with retail brand scripts increased prescription drug rebates for the SRWBT and were a contributor to the increase in net position at June 30, 2018, to over \$129.9 million compared to \$125.4 million at June 30, 2017.



Summary Comparative Fiduciary Net Position

State Retiree Welfare Benefit Trust

	As of June 30, 2018	As of June 30, 2017	Amount of Change	Percentage Change
ASSETS				
Cash and cash equivalents	\$6,627,311	\$3,285,304	\$3,342,007	101.73%
Due from MCHCP	16,357,310	13,934,817	2,422,493	17.38
Investments, at fair value	109,095,178	108,230,737	864,441	0.80
RECEIVABLES				
Prescription drug rebates	\$13,909,075	\$13,623,895	\$285,180	2.09%
Other receivables	302,607	302,607	0	0.00
Total receivables	14,211,682	13,926,502	285,180	2.05
Total Assets	\$146,291,481	\$139,377,360	\$6,914,121	4.96%
LIABILITIES				
Accrued medical claims & capitation fees	\$11,908,000	\$9,888,000	\$2,020,000	20.43%
Unearned revenue	4,183,146	3,846,217	336,929	8.76
Other liabilities	266,164	200,600	65,564	32.68
Total Liabilities	\$16,357,310	\$13,934,817	\$2,422,493	17.38%
Net Position, held in trust for other post-employment benefits	\$129,934,171	\$125,442,543	\$4,491,628	3.58%

Summary Comparative Statements of Revenue, Expenses & Changes in Net Position

State/Employer contributions for fiscal years 2018 and 2017, for the ISF totaled \$334,208,126 and \$327,233,709, respectively. Funding for the years represented are attributable to the State's appropriation to fund the claims costs and operations expense attributable to State employee health benefits. Ultimately, claims costs for state employees are backed by the State of Missouri should State/Employer contributions not be sufficient to cover claims expenditures and operational costs.

Member contributions for the ISF for the years ended June 30, 2018 and 2017, are influenced primarily by total enrollment, the mix of enrollment, the relative plan design for the respective years, and the State's commitment to providing a pathway for maintaining premium contributions through employer subsidy and employee participation in wellness initiatives. Public entity enrollment at June 30, 2018, increased approximately three percent over enrollment at June 30, 2017, although premium contributions remained relatively unchanged. Public entity contributions for the years ended June 30, 2018 and 2017 were \$7,559,037 and \$7,468,778, respectively.

Pharmacy rebate increases at June 30, 2018 over 2017 are primarily influenced by the Plan's increased prescription drug expenditures, active enrollment, and the related contractual rebate improvements

Medical claims and capitation expense increased by over ten percent during fiscal year 2018, and was primarily related to the Plan's increased expenditures related to high cost claimants and overall increases in medical and specialty pharmacy drugs claim costs. These increased expenditures are reflected in the ISF's significant reduction in net position at June 30, 2018, over June 30, 2017. The Plan's population health risk distribution profiles show an increase in struggling populations with a reduction in members categorized in the healthy profile which helps explain the increases in medical and pharmacy expenditures for the fiscal year.

Summary Comparative Statement of Revenue, Expenses & Changes in Net Position

Internal Service Fund

	Year ended June 30, 2018	Year ended June 30, 2017	Amount of Change	Percentage Change
OPERATING REVENUES				
State/employer contributions	\$334,208,126	\$327,233,709	\$6,974,417	2.13%
State employee/member contributions	80,156,169	80,960,318	(804,149)	(0.99)
Public entity contributions	7,559,037	7,468,778	90,259	1.21
Subcontractor & other rebates	24,832,110	17,365,478	7,466,632	43.00
Total Operating Revenues	\$446,755,442	\$433,028,283	\$13,727,159	3.17%
OPERATING EXPENSES				
Medical claims & capitation expense	\$525,136,514	\$473,663,080	\$51,473,434	10.87%
General & administration expense	5,672,574	6,596,560	(923,986)	(14.01)
Total Operating Expenses	\$530,809,088	\$480,259,640	\$50,549,448	10.53%
Operating loss	(84,053,646)	(47,231,357)	(36,822,289)	77.96
Investment income & other changes	1,222,021	893,977	328,044	36.69
Excess of revenues over expenses	(82,831,625)	(46,337,380)	(36,494,245)	78.76
Net position, beginning of the year, adjusted	62,445,566	108,782,946	(46,337,380)	(42.60)
Net Position, end of year	(\$20,386,059)	\$62,445,566	(\$82,831,625)	(132.65%)

Summary Comparative Statement of Changes in Fiduciary Net Position

Employer contributions for the SRWBT for the years ended June 30, 2018 and 2017, respectively were \$68,901,880 and \$67,398,726 and are attributable to the State's appropriation to fund the claims costs and operations expense attributable to State employee retiree health benefits. Ultimately, claims costs for state employees are backed by the State of Missouri should State/Employer contributions not be sufficient to cover claims needs.

MCHCP participates in a Medicare Prescription Drug Plan to provide coverage to Medicare primary retirees and dependents. The program anticipates greater savings to the employer over the historical retiree drug subsidy (RDS). During fiscal years 2018, and 2017 the SRWBT recognized reimbursements \$35,501,734 and \$30,514,297 for retiree drug subsidy and other rebates.

Medical claims and capitation expense increased for the SRWBT by nearly six percent during fiscal year 2018, primarily due to increased retiree enrollment in the SRWBT and the Plan's increased expenditures for high cost claimants, and overall increases in medical and specialty pharmacy drugs claim costs.



Summary Comparative Statement of Change in Fiduciary Net Position

State Retiree Welfare Benefit Trust

	Year ended June 30, 2018	Year ended June 30, 2017	Amount of Change	Percentage Change
ADDITIONS				
Employer contributions	\$68,901,880	\$67,398,726	\$1,503,154	2.23%
Retiree contributions	53,157,242	52,169,890	987,352	1.89
Investment income	4,679,311	7,838,782	(3,159,471)	(40.31)
Retiree drug subsidy & other rebates	35,501,734	30,514,297	4,987,437	16.34
Total Additions	\$162,240,167	\$157,921,695	\$4,318,472	2.73%
DEDUCTIONS				
Medical claims & capitation expense	\$150,606,550	\$142,154,216	\$8,452,334	5.95%
Claims administration services	4,389,802	4,325,639	64,163	1.48
Administration & other	2,752,187	2,984,613	(232,426)	(7.79)
Total Deductions	\$157,748,539	\$149,464,468	\$8,284,071	5.54%
Net increase	4,491,628	8,457,227	(3,965,599)	(46.89)
<i>Net position held in trust for other post-employment benefits</i>				
Beginning of year	125,442,543	116,985,316	8,457,227	7.23
End of year	\$129,934,171	\$125,442,543	\$4,491,628	3.58%

SUMMARY

MCHCP remains committed to providing comprehensive and affordable health care to the members we serve, effectuating sound fiscal practices as stewards of Plan resources, and remaining diligent in our efforts in providing member education to facilitate member satisfaction and cost containment. Wellness and disease management programs are incorporated in an effort to promote healthy member outcomes, engage members in their health, and to promote cost containment. Operating expenses and vendor costs remained relatively stable due to competitive procurement with investments in technology and automation in Plan operations. Medical and pharmacy cost increases reflect expected fluctuations due to increases in high cost claimants, the emergence of specialty drug cost prevalence and anticipated medical claim trends. Increases associated with self-funded expenditures, are indicative of the attention to health risk profiles of the MCHCP population and management initiatives surrounding benefit design, care management and wellness. For over four years, the Plan's *Strive for Wellness*® Health Center has offered an additional opportunity to promote appropriate utilization, provide members with additional access to services, while continuing to pursue avenues for cost containment. The health center continues to report optimum member satisfaction results in excess of 99% while continuing to provide opportunities for members to pursue health management in a convenient setting.

MCHCP's cash is invested conservatively to preserve principal and maintain liquidity. In addition, the Plan utilizes a master investment policy and instruments are predicated on an asset allocation model approved by the Board of Trustees. Investment income for the ISF and SRWBT consists of interest income, unrealized gains and losses in fair value, accretion of discounts, and amortization of premiums. Investment income for the ISF and the SRWBT in total was realized in the amount of \$5,901,332 and \$8,732,758 for the fiscal year's ended June 30, 2018 and 2017, respectively, and is predicated on the availability of investable assets and the economic conditions influencing market conditions.

MCHCP's actuary reviews the financial assets of MCHCP in conjunction with obligations and the funding available as provided by the Missouri General Assembly. Due to the state of economic conditions facing the State, the MCHCP, members of the General Assembly, and the State's Office of Budget and Planning meet regularly to discuss funding needs and projected claims expenditures in an effort to develop funding levels for the Plan. Ultimately, the funding of claims costs are backed by the State of Missouri should contributions be unable to meet claims obligations.

During the years presented, MCHCP faced a tightened State budget, which compelled it to continue to pursue opportunities in cost containment, member engagement in healthy outcomes and changes to benefit offerings. Combined with expected continued escalation in health care costs, MCHCP faces significant challenges in an effort to provide affordable health care coverage to its members. As a result, MCHCP has explored a full range of viable options to accommodate the State budget while continuing to offer comprehensive and affordable coverage to its members. Wellness and care management programs that encourage member engagement are the progressive instrument to continue to foster healthier outcomes and reduce claims expenditures. MCHCP's wellness incentives are designed to incorporate and promote best in class initiatives. The overall financial position of MCHCP is reliant upon state funding, cost containment and comprehensive benefits review of the self-funded programs to continue to generate a healthier membership in MCHCP.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of MCHCP's financial position for all those with an interest in MCHCP. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Missouri Consolidated Healthcare Plan, 832 Weathered Rock Court, PO Box 104355, Jefferson City, Missouri 65110-4355.

Statement of Net Position

Internal Service Fund as of June 30, 2018

ASSETS

Current Assets

Cash & cash equivalents	\$28,087,132
Investments, at fair value	29,331,642
Rebates & other receivables	13,926,481
Prepaid expenses	195,860
Total Current Assets	<u>\$71,541,115</u>

Noncurrent Assets

Capital Assets

Furniture, fixtures & equipment, net of accumulated depreciation of \$1,941,932	287,155
Total Noncurrent Assets	<u>\$287,155</u>

Deferred Outflow of Resources	2,662,699
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Total Assets and Deferred Outflow of Resources	<u>\$74,490,969</u>
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LIABILITIES

Current Liabilities

Accrued medical claims & capitation fee expense	\$49,581,608
Accounts payable & accrued expenses	672,956
Due to SRWBT	16,357,310
Deferred premium revenue	20,011,428
Total Current Liabilities	<u>\$86,623,302</u>

Noncurrent Liabilities

Net pension liability	7,979,229
Total Noncurrent Liabilities	<u>\$7,979,229</u>

Deferred Inflow of Resources	274,497
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Total Liabilities and Deferred Inflow of Resources	<u>\$94,877,028</u>
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Net Position

Unrestricted	(\$20,673,214)
Net investment in capital assets	287,155
Total net position	<u>(\$20,386,059)</u>

Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$74,490,969</u>
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The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses & Change in Net Position

Internal Service Fund for the year ended June 30, 2018

Operating Revenues

State/employer contributions	\$334,208,126
Member contributions	80,156,169
Public entity contributions	7,559,037
Pharmacy rebates	24,832,110
Total Operating Revenues	<u>\$446,755,442</u>

Operating Expenses

Medical claims & capitation expense	\$514,367,757
Claims administration services	10,768,757
Payroll & related benefits	3,620,926
Health management	5,703
Administration	839,800
Professional services	733,700
Employee assistance program	472,445
Total Operating Expenses	<u>\$530,809,088</u>
Operating revenues over (under) operating expenses	(84,053,646)

Non-Operating Revenues

Investment & other income	1,222,021
Change in net position	(\$82,831,625)
Net position, beginning of year	62,445,566

Net Position, End of Year	(\$20,386,059)
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The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Internal Service Fund year ended June 30, 2018

Cash Flows from Operating Activities

Cash received from employer & members	\$443,227,110
Cash payments for medical claims & capitation fee payments	(\$510,356,534)
Cash payments to employees for services	(\$2,873,166)
Cash payments to other suppliers of goods & services	(\$12,924,740)
Net Cash Used by Operating Activities	<u>(82,927,330)</u>

Cash Flows from Noncapital Financing Activities

Changes in amounts due to SRWBT	\$2,422,493
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Cash Flows from Capital & Related Financing Activities

Purchase of furniture, fixtures & equipment	(\$94,612)
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Cash Flows from Investing Activities

Cash received from investment income; net of investment expenses	\$1,475,779
Purchase of investments	(\$7,469,405)
Proceeds from investments	<u>\$15,789,013</u>
Net cash provided by Investing Activities	<u>9,795,387</u>

Net decrease in Cash & Cash equivalents	(70,804,062)
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Cash & Cash Equivalents, Beginning of Year	\$98,891,194
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Cash & Cash Equivalents, End of Year	\$28,087,132
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Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating revenues under operating expenses	(\$84,053,645)
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Adjustments

Adjustments to net cash used by operating activities

Depreciation	90,489
Pension expense	1,314,480

Changes in Assets & Liabilities

Rebates & other receivables	(\$3,901,905)
Prepaid expenses	(\$5,442)
Accrued medical claims & capitation fees	\$4,011,223
Accounts payable & accrued expenses	(\$189,382)
Unearned premium revenue	373,572
Deferred outflows - contributions after the measurement date	(\$566,720)

Total Adjustments	\$1,126,315
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Net Cash Used By Operating Activities	(\$82,927,330)
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Noncash investing, capital & financing activities

Change in fair value of investment	\$249,361
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The accompanying notes are an integral part of the financial statements.



Statement of Fiduciary Net Position

State Retiree Welfare Benefit Trust as of June 30, 2018

ASSETS

Cash & cash equivalents	\$6,627,311
Due from MCHCP	16,357,310
Investments, at fair value	
Mutual Funds	25,520,200
Equities	19,167,240
Corporate	11,130,279
Collateralized mortgage obligations	8,604,596
U.S. Government guaranteed mortgages	13,393,242
U.S. Agencies	31,279,621
Receivables	
Prescription drug rebates	13,909,075
Other receivables	302,607
Total Assets	<u>\$146,291,481</u>

LIABILITIES

Accrued medical claims & capitation fees	\$11,908,000
Unearned revenue	4,183,146
Other liabilities	266,164
Total Liabilities	<u>\$16,357,310</u>

Net Position, Held in Trust For Other Post-Employment Benefits	\$129,934,171
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The accompanying notes are an integral part of the financial statements.

Statement of Change in Fiduciary Net Position

State Retiree Welfare Benefit Trust for the fiscal year ended June 30, 2018

Additions

Employer contributions	\$68,901,880
Retiree contributions	53,157,242
Investment income	4,679,311
Retiree drug subsidy & other rebates	35,501,734
Total Additions	<u>\$162,240,167</u>

Deductions

Medical claims & capitation expense	\$150,606,550
Claims administration services	4,389,802
Administration & other	2,752,187
Total Deductions	<u>\$157,748,539</u>

Net Increase

Net Position Held in Trust for Other Post Employment Benefits	4,491,628
Beginning of Year	125,442,543

End of Year	\$129,934,171
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The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. GENERAL INFORMATION

The Missouri Consolidated Health Care Plan (MCHCP or the Plan) was statutorily created and organized on January 1, 1994, with the purpose of providing medical insurance benefits to the State of Missouri's (State) employees, retirees and their dependents as well as other Missouri public entity employees, retirees and their dependents. Prior to 1994, medical insurance benefits for the State's employees, retirees and their dependents were provided by Missouri State Employees' Retirement System (MOSERS) medical care plan. On January 1, 1994, through a transfer agreement between the Plan and MOSERS, all medical care plan assets and liabilities were transferred to the Plan.

The Plan currently has approximately 95,000 active and retired State members and dependents, 1,047 public entity members and dependents, totaling more than 96,000 covered lives, and is funded through both employer and employee contributions. Through December 31, 1994, all Plan members were State employees, retirees and their dependents. Beginning January 1, 1995, additional members included public entity employees, retirees and dependents. State contribution rates are based on the state's approved appropriation and the number of anticipated participants. State employee and public entity contribution rates are established by the Plan's Board of Trustees.

MCHCP is a risk pool and administers an "agent multiple employer plan" because each employer remains individually responsible for financing its own commitment to provide benefits to its participants, including any eligible retirees. As a result of the implementation of GASB Statement No. 43, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust, or SRWBT) to handle the post-employment benefits for State employees. GASB Statement No.

43, was supplanted when in June 2015, GASB issued GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, which is to be instrumental in improving financial reporting by state and local governmental postemployment benefit plans other than pension plans. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was also issued in June 2015 adding the requirement of recognition for the Other Postemployment Benefits (OPEB) liability in its entirety and a more comprehensive measurement of OPEB expense effective for the fiscal year ended June 30, 2018.

SRWBT was established and organized on June 27, 2008, pursuant to the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178 to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements except for those retired members covered by (OPEB) plans of the State. The SRWBT is considered a cost-sharing multiple employer plan because it covers various State agencies and legally separate component units. It is administered by Plan staff under the direction of the Plan Board of Trustees. The SRWBT does not issue a separate audited financial report.

The net position and activity related to active participants are reported in the Internal Service Fund (ISF), and the net position and activity related to retired participants are reported in the SRWBT in the accompanying financial statements. In the following footnotes, the term "the Plan" refers to both the ISF and SRWBT. Disclosures that are specific to the ISF or SRWBT are separately noted.

The Plan is considered a part of the State's financial reporting entity and is included in the State's financial report as a component unit. As the Plan is considered a political subunit of the State and provider of essential governmental services, it is not subject to federal income taxes, nor to the provisions of the Employee Retirement Income Security Act of 1974. The Plan is administered according to Missouri statutes. These statutes do not include a provision for the termination of the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the ISF are intended to present the financial position and the changes in cash flows of only that portion of the activities attributable to the transactions of the ISF. The ISF is accounted for as a proprietary fund.

The Plan's financial statements for the ISF were prepared using the accrual basis of accounting, in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, establishes the GAAP hierarchy for

proprietary funds. The financial statements of the SRWBT are intended to present the financial position and the changes in cash flow of only that portion of the activities attributable to the transactions of the SRWBT.

Benefits and refunds of the SRWBT are recognized when due and payable in accordance with the terms of the plan. The SRWBT is accounted for as a fiduciary fund. Accordingly, the financial statements are prepared using the accrual basis of accounting in conformity with GAAP.

B. Method Used to Value Investments

Investments are reported at fair value on a trade-date basis with changes in fair value recorded in investment income on the statement of revenues, expenses and change in net position. Investments are recorded at fair value as determined by quoted market price, when available, or estimated fair value when not available. Many factors are considered in arriving at that fair market value. In general, however, bonds and mortgage-backed securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Realized gains and losses are based on the specific identification basis. The calculation of realized gains and losses is independent of the calculation of the change in net unrealized gains and losses.

C. Deposits & Investments

The Plan considers all highly liquid investments, readily convertible into cash with original maturities of three months or less, to be cash equivalents.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan would not be able to recover deposits or collateral securities in the possession of an outside party. In an effort to mitigate custodial credit risk, the Plan requires the bank to sweep the accounts each night into overnight repurchase agreements for which the underlying securities must be of the type approved by the State. All remaining cash balances are to be insured or appropriately collateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, the Plan would not be able to recover the value of investments or collateral securities in the possession of an outside party. The Plan does not have a formal policy regarding custodial credit risk. However, the bank acting as the investment manager has been approved by the Plan's Board of Trustees.

Deposits

Cash balances represent operating bank account balances. To maximize investment income, the float caused by outstanding checks is invested in overnight repurchase agreements, thus causing a negative carrying value.

At June 30, 2018, cash held in the financial institution had a bank balance of \$122,867 and a carrying value of (\$14,923,311). Of the bank balance, \$122,867 was covered by federal depository insurance. The remaining \$49,637,754 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name.

The Plan's contracted yield on its overnight repurchase agreements was 20 basis points above the prevailing 91-day U.S. Treasury Bill rate as of June 30, 2018.

Investments

The Plan's investment policy for the ISF is predicated on the primary objectives of safety, liquidity, and yield, in order of priority. Investments in bankers' acceptances and commercial paper are required to mature and become payable not more than 180 days from the date of purchase. All other investments are required to mature and become payable not more than five years from the date of purchase. The weighted average life should not exceed three years and should be consistent with the investment objectives.

The Board of Trustees adopted an asset allocation model for the SRWBT that implemented a moderate investment approach allocating 33 percent to equities. This approach was approved to steadily increase the exposure of the SRWBT to higher return asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back-tested, and future assets are projected in all models. The Plan follows the "prudent person" rule for investment

decisions. Essentially, the Plan operates as a prudent person acting in a like capacity and familiar with similar matters would act in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibilities with respect to the Plan is covered by this “prudent person” rule. As of

June 30, 2018, the Plan had the following investments as presented below.

Investments

Internal Service Fund

	2018 Fair Value
Investments	
U.S. Agencies	\$16,063,627
U.S. Government Guaranteed Mortgages	1,181,832
U.S. Treasury	12,086,183
Total Investments	\$29,331,642

Investments

State Retiree Welfare Benefit Trust

	2018 Fair Value
Investments	
U.S. Agencies	\$31,279,621
U.S. Government Guaranteed Mortgages	13,393,242
Corporate	11,130,279
Collateralized Mortgage Obligations	8,604,596
Equities	19,167,240
Mutual Funds	25,520,200
Total Investments	\$109,095,178

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the ISF's investment in a single issue. To mitigate this risk, the ISF's investment policy provides general guidelines on diversification.

Investments in U.S. Treasuries and securities, collateralized time and demand deposits, and collateralized repurchase agreements can constitute up to 100 percent of the investment portfolio; U.S. government agencies, including mortgage-backed securities, cannot exceed 60 percent of the portfolio; and U.S. government agency callable securities, bankers' acceptances and commercial paper cannot exceed 30 percent of the portfolio. The SRWBT has implemented an investment approach allocating 33 percent to equities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan minimizes this risk by only authorizing investment types approved by the Treasurer of the State of Missouri, limiting investments to the safest types of securities, and diversifying the portfolio so potential losses on individual securities will be minimized. The Plan's investments by credit rating category as of June 30, 2018 are presented on the following page.

Credit Risk

Internal Service Fund

	2018 Fair Value	2018 Ratings
Investments		
U.S. Agencies	\$16,063,627	Aaa
U.S. Government Guaranteed Mortgages	1,181,832	Aaa
U.S. Treasury	12,086,183	Aaa
Total Investments	\$29,331,642	

Credit Risk

State Retiree Welfare Benefit Trust

	2018 Fair Value	2018 Ratings
Investments		
U.S. Agencies	\$31,279,621	Aaa
U.S. Government Guaranteed Mortgages	13,393,242	Aaa
Corporate	11,130,279	A+
Collateralized Mortgage Obligations	8,604,596	Aaa
Equities	19,167,240	A
Mutual Funds	25,520,200	3-Star
Total Investments	\$109,095,178	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan minimizes this risk by structuring the portfolio so securities mature to meet cash requirements for ongoing operations, using cash flow modeling to moderate the interest rate risk by reducing any unanticipated security sales that could result in a loss of principal and, maintaining the operating funds primarily in repurchase agreements according to the banking contract.

For the interest rate risk measurement for the Plan, Central Bank employs the duration method. The maturities of the Plan's investments as of June 30, 2018 are presented below.

Interest Rate Risk

Internal Service Fund

	2018 Fair Value	2018 Duration
Investments		
U.S. Agencies	\$16,063,627	1.63
U.S. Government Guaranteed Mortgages	1,181,832	1.24
U.S. Treasury	12,086,183	0.99
Total Investments	\$29,331,642	

Interest Rate Risk

State Retiree Welfare Benefit Trust

	2018 Fair Value	2018 Duration
Investments		
U.S. Agencies	\$31,279,621	5.27
U.S. Government Guaranteed Mortgages	13,393,242	4.21
Corporate	11,130,279	4.85
Collateralized Mortgage Obligations	8,604,596	5.35
Equities	19,167,240	-
Mutual Funds	25,520,200	-
Total Investments	\$109,095,178	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no investments subject to foreign currency risk.

Fair Value Measurement

MCHCP categorizes its fair value measurements with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The hierarchy for fair value is as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets available at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model derived valuations in which all significant inputs are corroborated by observable market data.

Level 3 - Valuations derived from valuation methodology in which significant inputs are unobservable.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified with Level 1 of the fair value hierarchy. MCHCP's Level 1 investments primarily consist of investments in U.S. Treasury obligations for the ISF and equities, and mutual funds for the SRWBT. When quoted prices in active markets are not available, fair values are based on evaluated prices received from MCHCP's custodian of investments in conjunction with a third party pricing service and are reported with Level 2 of the fair value hierarchy. The inputs for Level 2 include, but are not limited to, pricing models such as benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities, among others. MCHCP's Level 2 investments consist of investments for both the ISF and SRWBT of U.S. Agency and Mortgage Backed Securities and additionally for the SRWBT Corporate and Collateralized Mortgage Obligations. MCHCP did not maintain any Level 3 investments.

Investments

Internal Service Fund

Fair value measurement at report date using

	Fair Value June 30, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments				
US Government Agencies (AGCY)	\$16,063,627	-	\$16,063,627	-
Mortgage Backed Securities (MBS)	1,181,832	-	1,181,832	-
US Treasury (TRSY)	12,086,183	12,086,183	-	-
Total	\$29,331,642	\$12,086,183	\$17,245,459	-

Investments

State Retiree Welfare Benefit Trust

	Fair Value June 30, 2018	Fair value measurement at report date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments				
US Government Agencies (AGCY)	\$31,279,621	-	\$31,279,621	-
Mortgage Backed Securities (MBS)	13,393,242	-	13,393,242	-
Corporate (CORP)	11,130,279	-	11,130,279	-
Collateralized Mortgage Obligations (CMO)	8,604,596	-	8,604,596	-
Equity (PFD)	19,167,240	19,167,240	-	-
Exchange Traded Products (ETPS)	25,520,200	25,520,200	-	-
Total	\$109,095,178	\$44,687,440	\$64,407,738	-

D. Interfund Activity & Balances

As disclosed above, the ISF provides all administrative responsibilities related to SRWBT, which has no separate facilities or staff. Expenses directly attributable to SRWBT are charged to SRWBT. Other operating expenses, including personnel, are allocated between the ISF and the SRWBT based on participant counts for retired and active participants.

The balance of the interfund receivable/payable represents the excess of SRWBT contributions collected by the ISF Plan over expenses paid by the ISF Plan for SRWBT.

E. Receivables

Beginning January 1, 2014, the Plan began offering an Employer Group Waiver Plan (EGWP), a Medicare

Part D prescription drug plan (PDP) to Medicare eligible retirees and covered Medicare eligible dependents. Estimated revenue is recognized as the SRWBT incurs Medicare eligible retiree prescription drug expenditures. In addition, the Plan receives rebates from its pharmacy benefit manager related to manufacturers' rebates and other guaranteed rebates for non-Medicare Part D prescriptions. For the year ended June 30, 2018, these rebates are allocated between the ISF and the SRWBT based upon their respective claims activity. Estimated revenue is recognized for rebates based on prescription claims counts, historical average rebate per claim, and actual receipts.

Other receivables include interest income and member premium amounts.

F. Furniture, Fixtures & Equipment

Furniture, fixtures and equipment are capitalized at cost when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over a 10-year useful life. Data processing equipment is depreciated over a five-year useful life. The threshold for the capitalizing of fixed assets is \$1,000.

Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the related accounts, and the resulting gains or losses are reflected as non-operating gains or losses in the statement of revenues, expenses and change in net position. The changes in Furniture, Fixtures and Equipment for the year ended June 30, 2018 are as presented in the chart below.

Furniture, Fixtures & Equipment

Missouri Consolidated Health Care Plan

2018

Additions

Balance, beginning of year	\$2,362,798
Additions	94,612
Deletions	(228,323)

Balance, End of Year	\$2,229,087
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Accumulated Depreciation

Balance, beginning of year	\$2,079,766
Depreciation expense	90,489
Deletions	(228,323)

Balance, End of Year	\$1,941,932
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G. Plan Funding

State Appropriations/Contributions

Funds are appropriated to the Plan by the Missouri State General Assembly. Premiums are received one-half prior to the month of coverage and one-half during the month of coverage. Funds are received by the Plan every two weeks and coincide with the State's payroll cycle. The State's monthly per-member active contribution for fiscal year 2018, was \$746 per month. The State's contribution per member to fund the current fiscal year cost of retiree plan benefits for the year ended June 30, 2018 averaged 4.27 percent of active employee covered payroll.

The State did not provide additional funding towards future OPEB benefits for the period ended June 30, 2018. All state appropriations are available to pay benefits for both active and retired participants except for the amounts contributed to fund the OPEB reserve. Due to the level of appropriation, it may become necessary to utilize state appropriations, and member contributions in combination with plan assets to fully fund the claims costs and operations expenses, thus reducing the overall assets of the Plan. Claims costs for state employees are backed by the State of Missouri should contributions and or plan assets not be sufficient to cover claims expenditures and plan operational costs.

Member Premiums

Monthly member premiums for State employees are established annually by the Plan's Board of Trustees. These premiums are deducted from employee payroll checks in advance. Additionally, the Plan bills members who are not receiving payroll checks two weeks in advance.

Public Entity Premiums

Monthly public entity premiums are established annually by the Plan's Board of Trustees. The Plan bills the public entities two weeks in advance.

Deferred Premium Revenue

Deferred premium revenue includes premium revenue from the members, public entities, and the State received in advance of the month coverage is provided.

Operating/Non-operating Revenues

Operating revenues and expenses reflect items directly related to providing health benefits to members. Non-operating revenues and expenses represent investment income and other items not directly related to providing health benefits to members.

H. Other Post-Employment Benefits

Employees may participate in state-sponsored medical coverage in retirement based on Plan criteria. At June 30, 2018, there were 21,653 retirees and their dependents who met these eligibility requirements.

For the year ended June 30, 2018, expenditures (net of retiree contributions) of \$150.6 million were recognized for post-retirement medical insurance coverage under the self-funded PPO.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, changes in investment rates of return, and other uncertainties. As such, the estimate of post-retirement program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation is presented on the following page.

Summary of Key Actuarial Methods & Assumptions

State Retiree Welfare Benefit Trust

Fiscal Year July 1, 2017 - June 30, 2018

Valuation Year

July 1, 2017 - June 30, 2018

Actuarial cost method	Entry age normal, level percentage of payroll
Amortization method	30 years, open, level percent of pay
Asset Valuation method	Market value

Actuarial Assumptions

Discount rate	5.90%
Projected payroll growth rate	4.0%
Inflation Rate	3.0%

Health care cost trend rate (Medical & prescription drugs combined)

Non-Medicare is 6.25% for fiscal year 2018; the rate decreases by 0.25% per year to an ultimate rate of 5.0% in Fiscal 2023. Medicare is 7.25% for fiscal year 2018; the rate decreases by 0.25% per year to an ultimate of 5.0% in fiscal year 2027 and after.

Employer Disclosures

Participating employers, upon their implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, are required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used. Employer disclosures for MCHCP can be found in footnote M. MCHCP is viewed as being funded through the administrative expense charged to other component units through the contribution rate.

I. Medical Claims & Capitation

As of June 30, 2018, the Plan insured approximately 91 percent of its members through PPO contracts. Third-party administrators are paid a contracted

administrative fee per subscriber for the self-insured contracts, with the Plan bearing all administrative and medical claims costs of providing coverage to the members. Enrollment in the High Deductible Health Plan was approximately 9% for the year ended June 30, 2018.

The liability for estimated accrued claims and processing costs is based on an actuarial estimate of the ultimate cost of settling such claims due and payable as of the balance sheet date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred for services provided but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment and utilization. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that actual results of the settlement of the claims are made and are known.

As of June 30, 2018, \$3,444,608 is included in accrued medical claims and capitation fee expenses for accrued PPO capitation expenses. Additionally, \$58,045,000 at June 30, 2018, is included in estimated accrued medical costs for claims incurred but not yet paid under the Plan's self-funded products. Although management believes these estimates are adequate, the ultimate liability may be more or less than the amounts recorded.

The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current operations. Contingent liabilities exist with respect to claims covered under the Plan in the event a contracted provider or carrier is unable to meet its obligations to the Plan. Changes in estimated accrued claims for fiscal year 2018 is presented below.

Summary of Changes in Estimated Accrued Claims

Internal Service Fund

	2018
Balances	
Balance at beginning of year	\$42,221,000
Current year claims & changes in estimates	302,934,554
Claim payments	(299,018,554)
Balance at End of Year	\$46,137,000

Summary of Changes in Estimated Accrued Claims

State Retiree Welfare Benefit Trust

	2018
Balances	
Balance at beginning of year	\$9,888,000
Current year claims & changes in estimates	150,606,550
Claim payments	(148,586,550)
Balance at End of Year	\$11,908,000

J. Retirement Plan

General Information About the Pension Plan

Plan description. Benefit eligible employees of MCHCP are provided with pensions through the Missouri State Employees' Retirement System (MOSERS) – a cost-sharing multiple-employer defined benefit pension plan. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined plan for eligible state and other related agency employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available report that can be obtained at www.mosers.org.

Benefits provided. MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000, and MSEP2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR located at www.mosers.org.

Contributions. Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board of Trustees. Employees in the MSEP2011 Plan are required to contribute 4.0 percent of their annual pay. MCHCP's required contribution rate for the year ended June 30, 2018, was 19.45 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2016 was 16.97 percent, which is the year of measurement for the net

pension liability. Contributions to the pension plan from MCHCP were \$566,720 for the year ended June 30, 2018.

Net Pension Liability. At June 30, 2018, MCHCP reported a liability of \$7,979,229, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was offset by the fiduciary net position obtained from MOSERS CAFR as of June 30, 2017 to determine the net pension liability.

MCHCP's proportion of the net pension liability was based on MCHCP's actual share of the contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2017. At the June 30, 2017 measurement date, MCHCP's proportion was 0.1532 percent, a decrease from its proportion measured using 0.1565 percent as of June 30, 2016, measurement date.

During the MOSERS plan year ended June 30, 2017, there were changes to MSEP 2011 benefit provisions that reduced the actuarial accrued liability. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

Assumptions. The total pension liability in the June 30, 2017 actuarial valuation, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.25% to 8.75% including inflation
Wage Inflation	3.0%
Investment rate of return	7.5%, compounded annually, net after investment expenses and including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. In addition, the Board reaffirmed its previous decision to reduce the investment return assumption from 7.65% to 7.5% for the June 30, 2017 valuation. There were no other changes in assumptions.

Mortality. Mortality rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120%. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for female.

Long Term investment rate of return. The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined

to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class Allocation

Asset Class	Policy Allocation	Long-term Expected Real Rate of Return*	Weighted Average Long-Term Expected Real Rate of Return
Opportunistic global equity	38.0%	5.5%	2.1%
Nominal bonds	44.0	1.0	0.5
Commodities	20.0	4.5	0.9
Inflation-linked bonds	39.0	0.8	0.3
Alternative beta	31.0	4.5	1.4
	172.0%		5.2%

*Represent best estimates of geometric rates of return for each major asset class included

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected

benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents MCHCP's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what MCHCP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
MCHCP's proportionate share of the net pension liability	\$10,273,449	\$7,979,229	\$6,049,522

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

Pension Expense. For the year ended June 30, 2018, MCHCP recognized pension expense of \$1,314,491.

Deferred Outflows of Resources and Deferred Inflows of Resources. At June 30, 2018, MCHCP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$44,206	\$125,669
Changes of assumptions	700,167	20,026
Net difference between projected and actual earnings on pension plan investments	1,336,642	-
Changes in proportion and differences between MCHCP contributions and proportionate share of contributions	14,964	128,802
MCHCP contributions subsequent to the measurement date of 6-30-17	566,720	-
Total	\$2,662,699	\$274,497

MCHCP's amounts reported as deferred outflows of resources related to pensions resulting from MCHCP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019, of MCHCP's financial

statements. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in MCHCP's fiscal year following MOSERS' fiscal year as follows:

Projected Recognition of Deferred Outflows/(Inflows)

Plan Year ending June 30:

2019	814,904
2020	311,850
2021	101,560
2022	-
Thereafter	-

Payables to the pension plan. As of June 30, 2018, MCHCP did not report any payables to MOSERS.

K. Deferred Compensation Plan

The State of Missouri Deferred Compensation Plan is a voluntary defined contribution plan offered in compliance with IRS Code Sections 457 and 401(a). The Plan is administered by MOSERS in accordance with Sections 105.900 to 105.927 of the Revised Statutes of Missouri. MOSERS has retained ICMA-RC for participant account record keeping and processing services since November 2011. The Plan offers all state employees the opportunity to save for retirement with before and after tax (Roth) money. New permanent full-time and part-time employees are automatically enrolled in the plan at a 1% contribution per pay period made via payroll deduction.

Audited financial statements for the State of Missouri Deferred Compensation Plan can be viewed online at www.moderferredcomp.org.

L. Employee Assistance Program

An employee assistance benefit program is offered to all State employees and their immediate families. The program, serviced through ComPsych, offers six free mental health counseling sessions per problem, per year and can be accessed 24 hours a day through a toll-free number.

M. Post-Employment Retiree Health Care

Employees may participate in state-sponsored medical coverage in retirement based on Plan criteria. At June 30, 2018, there were 21,653 retirees and their dependents who met these eligibility requirements. For the year ended June 30, 2018, expenditures (net of retiree contributions) of \$150.6 million were recognized for post-retirement medical insurance coverage under the self-funded PPO Plan Description. In addition to the pension benefits described in Note J, the Plan operates a cost sharing multiple employer, defined benefit OPEB plan, the State Retiree Welfare Benefit Trust (SRWBT). Employees may participate at retirement if eligible to receive a monthly retirement benefit from either the Missouri Employees' Retirement System (MOSERS) or another retirement system whose members are grandfathered for coverage

under the plan by law. The terms and conditions governing postemployment benefits, are vested with the MCHCP Board of Trustees within the authority granted under Chapter 103 of the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178.

Plan Membership. At June 30, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits - 16,127

Inactive plan members entitled to but not yet receiving benefits*- 0

Active plan members - 36,962

Active/Inactive plan members who may become eligible to receive benefits - 3,388

*Once an inactive member (retiree, survivor, disabled, or vested) member terminates his/her coverage, he/she is not eligible to re-enroll at a later date.

Basis of Accounting. The SRWBT Plan's financial statements are prepared using the accrual basis of accounting, in accordance with GASB Statement No. 74. The assets of the SRWBT are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The SRWBT does not issue a separate financial report.

Contributions. Contributions are established and may be amended by the MCHCP Board of Trustees within the authority granted under Chapter 103 of the Revised Statutes of Missouri (2000) as amended (“RSMo”) 103.003 through 103.178. The Plan contributes 2.5% of the Plan’s PPO 660 plan premium for each year of the employee’s service capped at a maximum contribution of 65%. For the year ended June 30, 2018, participants contributed \$53,157,242 toward their required contributions.

Investments. The Board of Trustees adopted an asset allocation model for the SRWBT that implemented a moderate investment approach to steadily increase the exposure of the SRWBT to higher return asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back-tested, and future assets are projected in all models. No significant changes in the SRWBT investment strategy occurred during the reporting period. The following was the asset allocation at June 30, 2018:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Domestic LC Equity	15%	8%
Domestic MC Equity	6%	8%
Domestic SC Equity	8%	9%
Global Equity	5%	8%
Domestic Fixed Income	65%	3%
Cash Equivalents	1%	1%
	100%	

Rate of Return. For the year ended June 30, 2018, the annual money weighted rate of return on investments, net of investment expense, was 3.83 percent. The money weighted rate of return expresses investment

performance, net of investment expenses, adjusted for the changing amounts actually invested.

Actuarial valuations are developed based upon economic assumptions that are appropriate for the purpose of the measurements, take into account relevant historical and current data, reflect estimates of future experience are free of bias, and include demographic actuarial assumptions that are considered to be reasonable and within a best projection range as described by the Actuarial Standards of Practice. Future actuarial measurements may differ from the current measurements presented in this report due to many factors, including plan experience differing from that anticipated by the economic or demographic assumptions and changes in plan provisions or applicable law.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, changes in investment rates of return,

and other uncertainties. As such, the estimate of post-retirement program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation is presented below.

Actuarial Methods and Assumptions. The actuarial calculations utilize methodologies and assumptions designed to reduce short-term volatility. The cost method utilized for the valuation year June 30, 2018, was the entry age normal, level percent of pay. Actuarial assumptions include a discount rate of 5.90%, a trend rate for non-Medicare benefits of 6.25% in fiscal year 2018, then decreasing by 0.25% per year until achieving an ultimate rate of 5.0% in fiscal year 2023. The UAAL is amortized as a level percent of pay on an open basis, over a 30 year period.

OPEB Liability Assumptions

General Inflation Rate	3.00%
Discount Rate	5.90%
Expected Return on Assets	6.50%
Municipal Bond Rate	3.87%
Compensation/Salary Increases	4.00%
Health Care Cost Trend Rate (Med and RX)	Non-Medicare 6.25% in fiscal 2018, decreasing by 0.25% per year until an ultimate of 5.00% in 2023. Medicare 7.25% in fiscal year 2018, decreasing by 0.25% per year to an ultimate of 5.00% in fiscal year 2027 and after.
Administration expense	\$197 per person
Mortality	RP-2016 for Employees/Annuitants without collar Adjustments using Scale MP-2016

Net OPEB Liability. The net OPEB liability under GASB 74 was calculated utilizing census data at 1/01/2017. To produce the liability as of June 30, 2018, the liability was rolled forward from the most recent

valuation measurement data of June 30, 2017 using actuarial update procedures as outlined in GASB74.

Net OPEB Liability (in thousands)

2018

Net OPEB Liability Components:

Total OPEB Liability	\$1,907,353
Plan Fiduciary Net Position	129,934
Net OPEB Liability	1,777,419
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	6.81%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

	1% Decrease in Discount Rate (4.90%)	Current Discount Rate (5.90%)	1% Increase in Discount Rate (6.90%)
Net OPEB Liability	\$2,099,778	1,777,419	1,522,277
	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$1,514,489	1,777,419	2,110,427

Development of Discount Rate. The discount rate was determined as a blend of the best estimate of the expected return on plan assets and, the 20 year high quality municipal bond rate as of the measurement date. For years where expected benefit payments can be covered by projected trust assets, expected returns are used. For years where payments are not expected to

be covered by trust assets, the municipal bond rate is utilized. The discount rate has been updated to 5.90% as of June 30, 2018, which reflects the municipal bond rate of 3.87% at June 30, 2018, and expected return of asset assumption of 6.50%. The methodology for determining the discount rate is unchanged.

MCHCP as an entity is funded through the administrative expense charged to other component units through the contribution rate in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. All state agencies and component units are included in the state's post employment retiree health care calculations.

For fiscal year 2018, MCHCP contributed \$125,020 for its employees in accordance with the state's funding policy for post employment retiree health care. These financial statements include the OPEB Plan in which MCHCP participates.





Required Supplementary Information

Schedule of Claims Development

State Actives & Retirees

	2018 Total	2018 Active	2018 Retiree	2017 Total	2017 Active	2017 Retiree	2016 Total	2015 Total
Fiscal Year	July 1, 2017- June 30, 2018	July 1, 2017- June 30, 2018	July 1, 2017- June 30, 2018	July 1, 2016- June 30, 2017	July 1, 2016- June 30, 2017	July 1, 2016- June 30, 2017	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015
Required contribution & investment income	\$602,658,593	\$440,418,426	\$162,240,167	\$584,375,177	\$426,453,482	\$157,921,695	\$572,965,632	\$546,588,384
Administrative and third-party expenses	23,583,320	16,441,331	7,141,989	25,352,238	18,041,986	7,310,252	28,514,421	31,253,188
Estimated Incurred Claims & Expenses End of Policy Year	\$579,075,273	\$423,977,095	\$155,098,178	\$559,022,939	\$408,411,496	\$150,611,443	\$544,451,211	\$515,335,196
Paid Claims Summary								
Paid (cumulative) as of	July 1, 2017- June 30, 2018	July 1, 2017- June 30, 2018	July 1, 2017- June 30, 2018	July 1, 2016- June 30, 2017	July 1, 2016- June 30, 2017	July 1, 2016- June 30, 2017	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015
End of Policy Year	\$508,659,000	\$388,189,000	\$120,470,000	\$481,509,000	\$364,363,000	\$117,146,000	\$445,260,000	\$430,201,000
One year later	-	-	-	531,799,000	404,907,000	126,892,000	\$484,192,000	\$464,959,000
Two years later	-	-	-	-	-	-	484,913,000	465,201,000
Incurred Claims Summary								
Re-estimated incurred claims & expenses	July 1, 2017- June 30, 2018	July 1, 2017- June 30, 2018	July 1, 2017- June 30, 2018	July 1, 2016- June 30, 2017	July 1, 2016- June 30, 2017	July 1, 2016- June 30, 2017	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015
End of policy year	\$560,911,000	\$429,563,000	\$131,348,000	\$526,392,000	\$400,681,000	\$125,711,000	\$489,459,000	\$464,270,000
One year later	-	-	-	532,481,000	405,463,000	127,018,000	484,494,000	465,392,000
Two years later	-	-	-	-	-	-	484,913,000	465,201,000
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	\$18,164,273	(\$5,585,905)	\$23,750,178	\$32,630,939	\$7,730,496	\$24,900,443	\$54,992,211	\$51,065,196

Summary of Key Actuarial Methods and Assumptions

State Retiree Welfare Benefit Trust

Fiscal Year	2018	2017	2016	2015	2014	2013	2012
Valuation Year	July 1, 2017- June 30, 2018	July 1, 2016- June 30, 2017	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015	July 1, 2013- June 30, 2014	July 1, 2012- June 30, 2013	July 1, 2011- June 30, 2012
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Actuarial Assumptions							
Discount rate	5.9%	5.71%	6.0%	6.0%	6.0%	6.5%	6.5%
Projected payroll growth rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Health care cost trend rate (Medical & prescription drugs combined)	Non Medicare 6.25% in fiscal year 2018; decreasing by 0.25% per year until an ultimate of 5.00% in 2023. Medicare 7.25% in fiscal year 2018; decreasing by 0.25% per year until an ultimate of 5.00% in fiscal year 2027 and after.	Non Medicare is 6.5% for fiscal year 2017; the rate decreases by 0.25% per year to an ultimate rate of 5% in fiscal year 2023 and later. Medicare is 7.5% for fiscal year 2017; the rate decreases by 0.25% per year until reaching the ultimate rate of 5.0% in fiscal year 2027 and after.	Non Medicare is 6.5% for fiscal year 2016; the rate decreases by 0.3% per year to an ultimate rate of 5% in fiscal year 2021 and later. Medicare is 6.6% for fiscal year 2016; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5% in fiscal 2021 and later.	Non-Medicare is 6.8% for fiscal year 2015; the rate decreases by 0.3% per year to an ultimate rate of 5.0% in fiscal year 2021 & later. Medicare is 7.0% for fiscal year 2015; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5.0% in fiscal year 2021 & later.	Non-Medicare is 7.1% for fiscal year 2014; the rate decreases by 0.3% per year to an ultimate rate of 5.0% in fiscal year 2021 & later. Medicare is 7.4% for fiscal year 2014; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5.0% in fiscal year 2021 & later.	Non-Medicare is 7.4% for fiscal year 2013; the rate decreases by 0.3% per year to an ultimate rate of 5.0% in fiscal year 2021 & later. Medicare is 7.8% for fiscal year 2013; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5.0% in fiscal year 2021 & later.	Non-Medicare: 8.00% in fiscal year 2012, then decreasing by 3/5% per year to an ultimate of 5.0% in fiscal year 2017 & after. Medicare: 8.50% in fiscal year 2012, then decreasing by 7/10% per year to an ultimate of 5.0% in fiscal year 2017 & after.

Schedule of Changes in the Net OPEB Liability and Related Ratios

(in thousands)

Fiscal Year Ending

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	\$31,360	\$29,158	\$20,703							
Interest	107,769	104,472	103,167							
Changes in benefit terms	-	-	-							
Differences between expected and actual experience	(12,071)	-	-							
Demographic (gains)/losses	-	(2,619)	3,100							
Changes of assumptions	(52,758)	-	38,683							
Benefit payments	(69,090)	(66,780)	(58,396)							
Net change in total OPEB liability	5,210	64,231	107,258							
Total OPEB liability - beginning	1,902,143	1,837,912	1,730,654							
Total OPEB liability - ending (a)	1,907,353	1,902,143	1,837,912							
Plan fiduciary net position										
Contributions - employer	68,902	67,399	66,200							
Contributions - employee	53,157	52,170	51,447							
Net investment income	4,679	7,839	2,276							
Benefit payments, including refunds of employee contributions	(150,607)	(142,154)	(131,452)							
Retiree drug subsidy and other rebates	35,502	30,514	29,696							
Other	(7,142)	(7,311)	(8,087)							
Net change in fiduciary net position	4,491	8,457	10,080							
Plan fiduciary net position - beginning	125,443	116,985	106,905							
Plan fiduciary net position - ending (b)	129,934	125,443	116,985							
Net OPEB liability- ending (a) - (b)	1,777,419	1,776,700	1,720,927							
Plan's fiduciary net position as a percentage of the total OPEB liability	6.81%	6.59%	6.37%							
Covered-employee payroll	1,604,410	1,609,515	1,586,496							
Net OPEB liability as a percentage of covered employee payroll	110.78%	110.39%	108.47%							

(Historical information prior to implementation of GASB 74/75 is not required)

(Historical information prior to implementation of GASB 74/75 is not required)

(Historical information prior to implementation of GASB 74/75 is not required)

Schedule of Funding Progress *(in millions)*

State Retiree Welfare Benefit Trust

Fiscal Year Ending	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial Value of Assets (a)	\$129.9	\$125.4	\$117.0	\$106.9	\$102.3	\$89.5	\$83.6	\$117.0	\$106.9	\$102.3
Actuarial Accrued Liability (AAL) (b)	\$1,902.1	\$1,837.9	\$1,730.7	\$1,813.5	\$1,649.5	\$1,485.6	\$1,594.5	\$1,730.7	\$1,813.5	\$1,649.5
Unfunded/(Overfunded)										
AAL (UAAL) (b) - (a)	\$1,772.2	\$1,712.5	\$1,613.7	\$1,706.6	\$1,547.2	\$1,396.1	\$1,510.9	\$1,613.7	\$1,706.6	\$1,547.2
Funded Ratio (a) / (b)	6.8%	6.8%	6.8%	5.9%	6.2%	6.0%	5.2%	6.8%	5.9%	6.2%
Covered Payroll (c)	\$1,604.4	\$1,609.5	\$1,586.5	\$1,583.7	\$1,566.7	\$1,552.7	\$1,534.2	\$1,586.5	\$1,583.7	\$1,566.7
UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]	110.5%	106.4%	101.7%	107.8%	98.8%	89.9%	98.5%	101.7%	107.8%	98.8%

Schedule of Employer Contributions *(in millions)*

State Retiree Welfare Benefit Trust

	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution (ADC)	\$113.2	\$106.8	\$96.6	\$103.7	\$100.1	\$93.4	\$100.8	\$99.8
Annual Contribution	68.9	67.4	66.2	62.6	56.3	54.0	57.1	53.4
Contribution deficiency (excess)	44.3	39.4	30.4	41.1	43.8	39.4	43.7	46.4
Covered payroll	1,604.4	1,609.5	1,586.5	1,583.7	1,566.7	1,552.7	1,534.2	1,559.1
Percentage of (ADC) Contributed	60.9%	63.1%	68.5%	60.4%	56.2%	57.8%	56.6%	53.5%
Contributions as a percentage of covered payroll	4.3%	4.2%	4.2%	4.0%	3.6%	3.5%	3.7%	3.4%

Schedule of Annual Money-Weighted Rate of Return on Investments - OPEB Plan

Year Ended June 30	Annual Money-Weighted Rate of Return - Net of Investment Expense
2018	3.83
2017	7.14

NOTE: This schedule will ultimately contain 10 years of data.

The state provided benefit payments and administrative costs of \$68.9M in fiscal year 2018. The Statement of Changes in Fiduciary Net Position provides more details concerning these amounts.

Schedule of the Proportionate Share of the Net Pension Liability

Missouri Consolidated Health Care Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
MCHCP's Proportion Of The Net Pension Liability (Asset)	0.1532%	0.1565%	0.1600%	0.1577%
MCHCP's Proportionate Share Of The Net Pension Liability (Asset)	\$7,979,229	\$7,265,764	\$5,133,995	\$3,718,668
MCHCP's Covered Payroll	\$3,016,171	\$3,031,348	\$3,095,028	\$3,144,017
MCHCP's Proportionate Share Of The Net Pension Liability (Asset) As A Percentage Of Its Covered Payroll	264.55%	239.69%	165.88%	118.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.41%	63.60%	72.62%	79.49%

**Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.*

NOTE: This schedule will ultimately contain 10 years of data.

Schedule of Contributions

Missouri Consolidated Health Care Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Required contribution	\$566,720	\$514,420	\$525,227	\$514,746
Contribution in relation to the required contribution	\$566,720	\$514,420	\$525,227	\$514,746
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
MCHCP's covered payroll	\$2,913,724	\$3,031,348	\$3,095,028	\$3,144,017
Contributions as a percentage of covered payroll	19.45%	16.97%	16.93%	16.37%

**Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.*

NOTE: This schedule will ultimately contain 10 years of data.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

Changes of benefit terms or assumptions - Pension Plan

Changes of benefit terms. Senate Bill 62 (SB 62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL of \$1.6 million.

Changes of assumptions. The board reduced the investment return assumption used in the June 30, 2017 valuation to 7.5%.

Changes of benefit terms or assumptions - OPEB Plan

Changes of assumptions. The discount rate has been updated to 5.90% as of June 30, 2018, which reflects the updated Municipal Bond Rate of 3.87% as of June 30, 2018, and the current Expected Return on Asset Assumption of 6.5%. The methodology used for determining the discount rate is unchanged. All other assumptions are unchanged from our most recent actuarial valuation.



An aerial photograph of a city skyline, featuring a river and a bridge. The city is densely packed with buildings, and the river flows through the center. A bridge spans the river, connecting the two sides of the city. The overall scene is a mix of urban development and natural water features.

Investments

Investment Advisor Statement



Dear Board Members,

The Missouri Consolidated Health Care Plan (MCHCP)'s State Retiree Welfare Benefit Trust (SRWBT) investment portfolio generated a return of 3.83% for the fiscal year ended June 30, 2018. The portfolio ended the year at an all-time high, with a market value, including cash and short term investments, of nearly \$116 million.

Over the past three years, the portfolio returned 4.14%, outperforming its' benchmark by 0.21% and for the past five years returning 5.77%, again outperforming its' benchmark by 0.46%. These increased returns reflect our commitment to the strategies as outlined by the Board of Trustees and our experience and dedication to your fiduciary duties.

The equity portfolio showed some impact from a larger defensive stock mix compared to the benchmark and a lessened exposure to momentum or growth products. Our position entering the second half of the year was to move conservatively given the perceived over valuation of the equity market. Looking back, growth stocks outperformed defensive stocks by nearly 10 percent for the first part of 2018. A measure of why diversification continues to be a necessary strategy in changing markets.

Looking to the future, we still view valuations in the equity market as stretched and plan to continue to align with targeted strategies that cautiously welcome preservation with a respect for managed growth. We see the following for the market:

- Continued interest rate increases in US markets
- Equity valuations
- Sensitive worldwide market environments

On behalf of Central Bank, we want to express our appreciation to the Board of Trustees and the staff of MCHCP for your continued partnership and support. Your relationship is one of our largest, and as such, we devote significant energy to managing your assets in the best possible manner.

Sincerely,

Michael K. McCoy, CFA

Senior Vice President

Schedule of Investment Results (Net of Management Fees)

State Retiree Welfare Benefit Trust

Years ended June 30

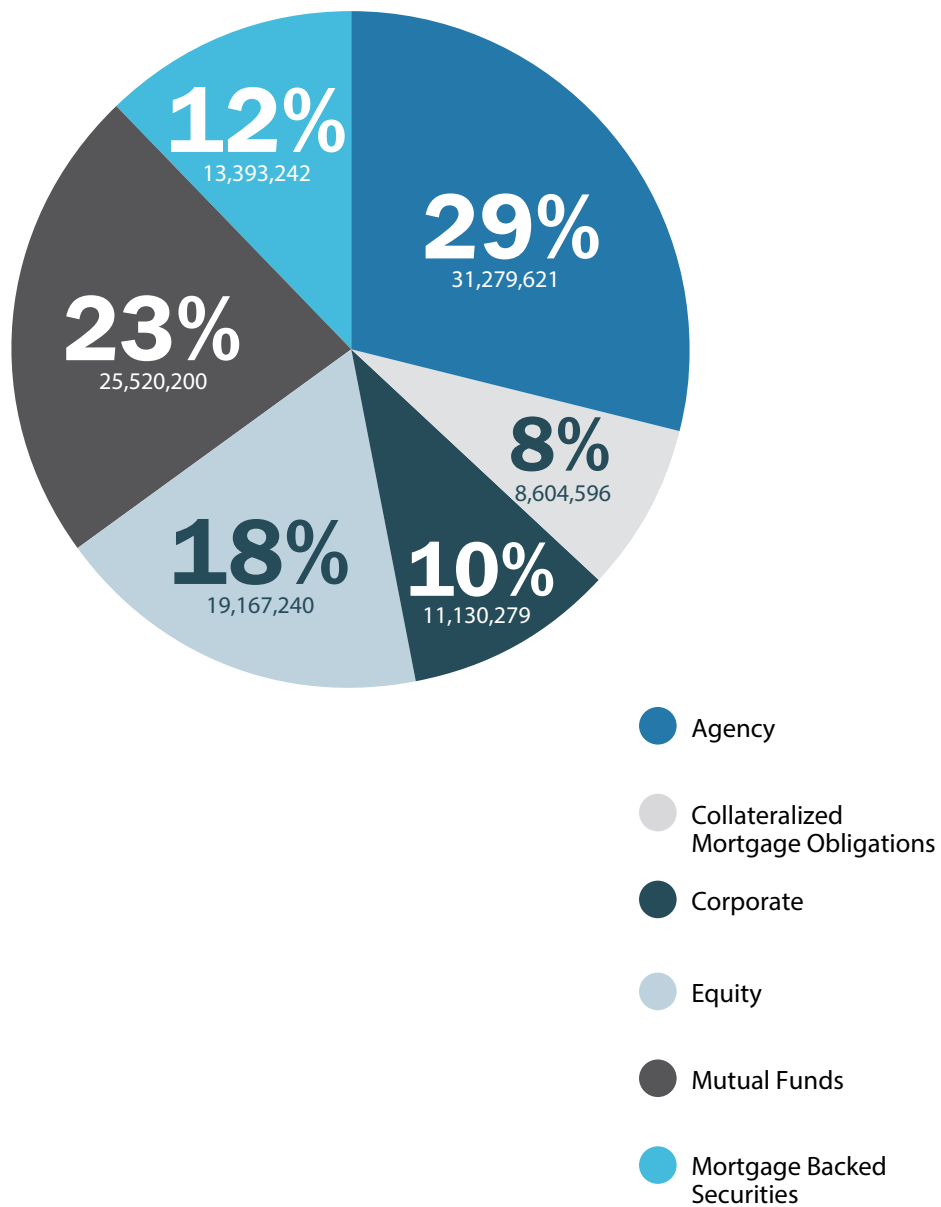
	BA/ML Corp/ Gov't/MBS Index* Benchmark	Equity Composite Benchmark	Total Composite Bench- mark	3 Year Bench- mark Returns	5 Year Bench- mark Returns	Fixed Income Portfolio Returns	Equity Portfolio Returns	Total Portfolio Returns	3 Year Portfolio Returns	5 Year Portfolio Returns
2010	10.44%	8.51%	9.19%			13.05%	9.05%	10.16%		
2011	4.97%	24.44%	11.22%			6.57%	26.88%	12.51%		
2012	4.51%	7.15%	6.99%	9.12%		6.07%	8.55%	8.11%	10.24%	
2013	-5.75%	37.58%	12.55%	10.22%		-5.55%	39.46%	12.98%	11.17%	
2014	4.24%	23.12%	12.36%	10.60%	10.44%	5.52%	21.33%	12.28%	11.10%	11.19%
2015	2.24%	3.17%	2.72%	9.11%	9.10%	3.33%	5.78%	4.40%	9.82%	10.00%
2016	1.37%	1.78%	1.52%	5.42%	7.12%	1.59%	1.60%	1.54%	5.97%	7.77%
2017	-2.28%	19.36%	6.16%	3.45%	6.96%	-0.38%	20.57%	7.14%	4.33%	7.57%
2018	-2.19%	13.13%	4.16%	3.93%	5.31%	-0.71%	11.20%	3.83%	4.14%	5.77%

NOTE: Calculations were prepared using the Modified Dietz method. The sub-periods are geometrically linked for a time-weighted return. Benchmarks are reviewed and may be modified if there is a significant change to the allocation approach (i.e. duration, credit risk, class allocation).

* Bank of America/Merrill Lynch/Corp/Gov't/MBS Index Benchmark

Schedule of Asset Allocation

MCHCP Retiree Welfare Benefit Trust, Fiscal Year 2018



List of Largest Assets Held

State Retiree Welfare Benefit Trust

Top Ten Holdings at June 30, 2018

Par Value	Description	Fair Value
\$2,314,935	Ishares Trust Core S&P Exchange Traded Fund	\$6,034,158
4,954,169	Ishares Trust MSCI EAFE Exchange Traded Fund	5,871,662
2,575,205	Ishares Trust Russell 2000 Value Exchange Traded Fund	5,738,520
4,102,924	Ishares Trust Russell Mid Cap Exchange Traded Fund	5,123,181
1,925,622	Ishares Trust Core S&P Mid Cap Exchange Traded Fund	2,454,228
975,622	Federal Farm Credit Bank 2.25% Due 6/21/2023	951,740
861,000	Federal National Mortgage Association Pool 2.77% Due 3/1/2022	850,100
767,000	Federal Home Loan Mortgage Corporation Pool 3.50% Due 11/1/2034	775,032
790,000	Wal-Mart Corporation Debentures 2.75% Due 12/15/2024	755,516
763,000	Federal National Mortgage Association Pool 2.68% Due 8/1/2022	744,075

Schedule of Investment Fees

State Retiree Welfare Benefit Trust

	Assets Under Management	Fees
U.S. Equities:		
Actively Managed:	\$19,167,240	\$40,898
Passively Managed:	5,869,646	41,745
International Equities:		
Passively Managed:	19,650,554	12,469
Fixed Income:		
Passively Managed:	64,407,738	340,000
Total	<u>\$109,095,178</u>	<u>\$435,112</u>

NOTE: All custodial fees are included in the management fees.



Actuarial

Purpose and Actuarial Statement

Missouri Consolidated Healthcare engaged Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson"), to value the Company's other postretirement benefit plan.

As requested by Missouri Consolidated Healthcare (MCHCP), this report documents the results of an actuarial valuation of the Missouri Consolidated Healthcare Plan (the Plan). The primary purpose of this valuation is to determine the Net OPEB Liability and the Actuarially Determined Contribution under GASB 74 for the fiscal year ended June 30, 2018.

This report is provided subject to the terms set out herein and in our engagement letter dated September 18, 2016 and the accompanying General Terms and Conditions of Business. This report is provided solely for MCHCP's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

MCHCP may make a copy of this report available to its auditors, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to MCHCP's auditors in this regard. MCHCP should draw the provisions of this paragraph to the attention of its auditors when passing this report to them.

In preparing these results, we have relied upon information and data provided to us orally and in writing by MCHCP and other persons or organizations designated by MCHCP. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

This report does not determine liabilities on a plan termination basis, for which separate extensive analyses would be required.

The results summarized in this report involve actuarial calculations that require assumptions about future events. MCHCP is responsible for the selection of the assumptions, as described in Appendix A. We believe that the assumptions used in this report are within the range of possible assumptions that are reasonable for the purposes for which they have been used.

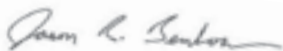
The results shown in this report have been developed based on economic assumptions that are appropriate for the purpose of the measurements, take into account relevant historical and current data, reflect estimates of future experience and have no significant bias, as well as demographic actuarial assumptions that are considered to be reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different, but still reasonable, assumptions. Retiree group

benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

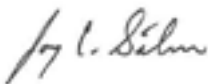
If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future Group Retiree Medical contributions, but we can do so upon request.

In our opinion, all calculations are in accordance with requirements of applicable governmental accounting standards, including GASB 74, and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice. This valuation reflects our understanding of the relative provisions of GASB 74.

The undersigned consulting actuaries are members of the Society of Actuaries and collectively meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to other postretirement benefit plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC.



Jason R. Benbow, EA
Willis Towers Watson



Joy Silvus, FSA, EA, MAAA
Willis Towers Watson



John F. Stahl, FSA
Pricing Specialist
Willis Towers Watson

The Pricing Specialist is responsible for developing and/or determining the reasonableness of retiree welfare plan trend and participation assumptions as well as assumed per capita claims costs (including the aging/morbidity assumption if applicable). The Valuation Actuary is responsible for other aspects of the valuation (e.g., developing and/or reviewing the reasonableness of other valuation assumptions and methods, ensuring that the valuation model reasonably reflects the substantive plan and actual plan operation, preparing demographic data, performing the valuation, implementing the correct accounting or funding calculations, etc.).

Section 1: Summary of Key Results

Annual Required Contribution, Assets & Obligations

All monetary amounts shown in US Dollars

Fiscal Year Ending		06/30/2018
Annual Costs	Actuarially Determined Contribution (ADC)	113,241,880
Measurement Date		06/30/2018
Plan Assets	Fiduciary Net Position (FNP)	129,934,171
	Return on Fiduciary Net Position during Prior Year	4,679,311
Benefit Obligations	Actuarial Present Value (APV)	2,115,626,391
	Total OPEB Liability (TOL)	1,907,353,369
Funded Ratios	Fiduciary Net Position to TOL	6.81%
Assumptions¹	Discount Rate	5.90%
	Rate of Compensation/Salary Increase	4.00%
	Current Health Care Cost Trend Rate ²	
	Non-Medicare	6.25%
	Medicare	7.25%
	Ultimate Health Care Cost Trend Rate	5.00%
	Year of Ultimate Trend Rate	
	Non-Medicare	2023
	Medicare	2027
	Amortization Period (years)	30
Key Dates		
	Census Date:	01/01/2017
	Measurement Date:	06/30/2018

¹ Rates are expressed on an annual basis where applicable.

² Current year trend also applies to years before valuation date.

Comments on Results

Appendix A outlines the assumptions and methods used in the valuation. Appendix B outlines our understanding of the principal provisions of the plan being valued.

The trend rate for non-Medicare benefits is assumed to be 6.25% in fiscal 2018, then decreasing by 0.25% per year to an ultimate rate of 5.0% in fiscal 2023. For Medicare benefits, the trend rate is assumed to be 7.25% in fiscal 2018, then decreasing by 0.25% per year to an ultimate rate of 5.0% in fiscal 2027 for Medicare. Trend rates for years prior to the valuation date are assumed equal to the initial trend rate.

The claims development is based on incurred claims experience through December 31, 2016. Costs were developed from the calendar 2018 premium setting process, adjusted to Fiscal 2018 using plan trend.

The Total OPEB Liability (TOL) increased from \$1,902.1 at June 30, 2017 to \$1,907.4M at June 30, 2018. The key influencing factors and their impact on the TOL are:

- An increase of \$70.2 million due to the passage of time; the TOL is expected to increase as employees accrue another year of service and as the time value of money is reflected in the liability, but decrease as benefits are paid throughout the year.
- A decrease of \$12.1 million due to changes in the demographic data.
- A decrease of \$52.8 million due to the change in discount rate from 5.71% to 5.90%.

We have reviewed the impact of the excise tax on high-cost plans (Cadillac plans) that was enacted by the Patient Protection and Affordable Care Act and subject to implementation beginning in 2020 and determined the impact on the retiree health liabilities is negligible. This analysis was based on the permitted blending of the pre-65 and post-65 retiree costs for purposes of determining the applicable excise tax.

Participant Information

Participant data used in the actuarial valuation are summarized below by the plan sponsor.

Measurement Date	06/30/2018
Census Date	01/01/2017
Active Employees	
1 Total	41,836
2 Average age	45.94
Participants and Spouses in Payment Status	
1 Total	20,060
2 Average age (participants only)	70.25
Participants with a Deferred Benefit	
1 Total	73
2 Average age	53.04
Disabled Participants	
1 Total	99
2 Average age	53.43

Note: Counts do not include spouses of disabled participants. At January 1, 2017 there were 14 spouses.

Counts do not include spouses of terminated vested employees. At January 1, 2017 there were 26 spouses.

Section 2: Accounting Exhibits

2.1 Actuarially Determined Contribution

All monetary amounts shown in US Dollars

Valuation Date		7/1/2017
A Actuarial Present Value (APV)		
1	Inactives – Retiree & Spouse	969,837,220
2	Actives with Medical Coverage	1,068,795,602
3	Other Actives	81,028,114
4	Total APV, (1)+(2)+(3)	2,119,660,936
B Total OPEB Liability (TOL)		
1	Inactives – Retiree & Spouse	969,837,220
2	Actives with Medical Coverage	867,194,943
3	Other Actives	65,110,333
4	Total TOL (1)+(2)+(3)	1,902,142,496
C Actuarially Determined Contribution (ADC)		
1	Normal Cost	31,359,846
2	Amortization Payment	75,572,996
3	Interest on (1) and (2)	6,309,038
4	Actuarially Determined Contribution (1)+(2)+(3)	113,241,880
D Assumptions		
1	Discount Rate	5.71%
2	Current Health Care Cost Trend Rate	
	Non-Medicare	6.50%
	Medicare	7.50%
3	Ultimate Health Care Cost Trend Rate	5.00%
4	Year of Ultimate Trend Rate	
	Non-Medicare	2023
	Medicare	2027
5	Amortization Period (years)	30
6	Census Date	01/01/2017

2.2 Supplemental Information

Schedule of Employer Contributions

Fiscal Year Ended	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Percentage of ADC Contributed	Discount Rate
June 30, 2011	\$ 99,766,158	\$53,353,553	\$46,412,605	53.5%	7.00%
June 30, 2012	\$100,799,906	\$57,090,104	\$43,709,802	56.6%	6.50%
June 30, 2013	\$ 93,385,621	\$54,005,719	\$39,379,902	57.8%	6.50%
June 30, 2014	\$100,143,855	\$56,314,655	\$43,829,200	56.2%	6.00%
June 30, 2015	\$103,674,590	\$62,585,666	\$41,088,924	60.4%	6.00%
June 30, 2016	\$ 96,551,977	\$66,199,740	\$30,352,237	68.6%	6.00%
June 30, 2017	\$105,124,644	\$67,398,726	\$37,725,918	64.1%	5.71%
June 30, 2018	\$113,241,880	\$68,901,880	\$44,340,000	60.8%	5.71%

The State provided benefit payments and administrative costs of \$68.9M in fiscal 2018. The Statement of Changes in Net Fiduciary Position provides more details concerning these amounts.

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability (in millions).

Fiscal Year Ended	Actuarial Value of Assets (a)	Total OPEB Liability (TOL) ¹ (b)	Unfunded TOL (UTOL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UTOL as a Percentage of Covered Payroll [(b) – (a)] / (c)	Discount Rate
June 30, 2011	\$ 80.2	\$1,413.2	\$1,333.0	5.7%	\$1,559.1	85.5%	7.00%
June 30, 2012	\$ 83.6	\$1,594.5	\$1,510.9	5.2%	\$1,534.2	98.5%	6.50%
June 30, 2013	\$ 89.5	\$1,485.6	\$1,396.1	6.0%	\$1,552.7	89.9%	6.50%
June 30, 2014	\$102.3	\$1,649.5	\$1,547.2	6.2%	\$1,566.7	98.8%	6.00%
June 30, 2015	\$106.9	\$1,813.5	\$1,706.6	5.9%	\$1,583.7	107.8%	6.00%
June 30, 2016	\$117.0	\$1,730.7	\$1,613.7	6.8%	\$1,586.5	101.7%	6.00%
June 30, 2017	\$125.4	\$1,828.6	\$1,703.2	6.9%	\$1,609.5	105.8%	5.71%
June 30, 2018	\$129.9	\$1,902.1	\$1,772.2	6.8%	\$1,604.4	110.5%	5.71%

¹ Total OPEB Liability (TOL) was measured as of the beginning of the Fiscal Year.

2.3 Statement of Plan Fiduciary Net Position

All monetary amounts shown in US Dollars

Measurement Date		06/30/2018
A Assets		
1	Cash and cash equivalents	6,627,311
2	Due from MCHCP	16,357,310
3	Investments	109,095,178
		<hr/>
B Receivables		
1	Prescription drug rebates	13,909,075
2	Retiree drug subsidy	0
3	Other receivables	302,607
4	Total receivables	14,211,682
		<hr/>
5	Total assets	146,291,481
C Liabilities		
1	Claims payable - IBNR	11,908,000
2	Deferred revenue	4,183,146
3	Other liabilities	266,164
4	Total liabilities	16,357,310
		<hr/>
5	Net position, held in trust for other post-employment benefit	129,934,171

2.4 Statement of Changes in Plan Fiduciary Net Position

All monetary amounts shown in US Dollars

Fiscal Year		2018
A Additions		
1	Employer contributions	68,901,880
2	Employee contributions	53,157,242
3	Interest income	4,679,311
4	Retiree Drug Subsidy and other rebates	35,501,734
5	Total Additions	162,240,167
B Deductions		
1	Medical claims and capitation expense	150,606,550
2	Claims administration services	4,389,802
3	Administration and other	2,752,187
4	Total deductions	157,748,539
C Net Increase		
1	Net assets held in trust for other post-employment benefits:	
a	Beginning of year	125,442,543
b	End of year	129,934,171
c	Increase (b) - (a)	4,491,628
d	Rate of return ¹	3.73%

¹ Money-weighted rate of return assuming cashflows occur at middle-of-year

2.5 Summary of Assumptions and Methods

Required Supplementary Information – Summary of Key Actuarial Assumptions and Methods

Valuation Year	July 1, 2017 – June 30, 2018
Actuarial cost method	Entry age normal, level percent of pay

Amortization method for Unfunded TOL	30 years, open, level percent of pay
--------------------------------------	--------------------------------------

Asset valuation method	Market value
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Actuarial assumptions:

Discount Rate:	
June 30, 2017	5.71%
June 30, 2018	5.90%

Projected payroll growth rate	4.00%
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Health care cost trend rate (Medical and Prescription Drugs combined)	Non-Medicare: 6.25% in fiscal 2018, then decreasing by 0.25% per year to an ultimate of 5.0% in fiscal 2023 and after. Medicare: 7.25% in fiscal 2018, then decreasing by 0.25% per year to an ultimate of 5.0% in fiscal 2027 and after.
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2.6 Valuation Liabilities by Employee Group (in millions)¹

	Active in Health Plan	Actives Not Covered	Retirees & Dependents	Disabled	Term Vested	Total
Present Value of Future Benefits	\$1,068.9	\$81.0	\$954.1	\$14.1	\$1.6	\$2,119.7
Total OPEB Liability (TOL)	867.2	65.1	954.1	14.1	1.6	1,902.1
Expected Net Benefit Payments	3.5	0.6	68.7	0.7	0.0	73.5
Normal Cost	28.9	2.5	0.0	0.0	0.0	31.4
Amortization of Unfunded TOL ²	34.4	2.6	37.9	0.6	0.1	75.6
Interest	3.8	0.3	2.2	0.0	0.0	6.3
Actuarially Determined Contribution (ADC)	67.1	5.3	40.1	0.6	0.1	113.2

¹ Total OPEB Liability calculated at July 1, 2017 on the same basis as Section 2.1

² Allocation by Total OPEB Liability

2.7 Cashflow Projections

Based on benefit costs, retiree contributions, and assumptions shown in Appendix A, the State's expected cash costs (based on enrollments as of January 1, 2017) are projected below.

Fiscal Year	\$ in thousands
	Cash Cost Net Cost to State
2019	78,713
2020	82,312
2021	86,462
2022	90,069
2023	93,978
2024	97,927
2025	102,146
2026	106,283
2027	110,362
2028	114,548
<hr/>	
2038	161,407
2048	174,227
2058	141,891
2068	95,105
2078	48,513
2088	15,375
2097	3,156

2.8 Change in Net OPEB Liability¹

Fiscal Year Ending Measurement Date	06/30/2018 06/30/2018
1. Total OPEB Liability – Beginning of Measurement Period:	\$ 1,902,142,496
a. Service Cost	31,359,846
b. Interest	107,768,632
c. Plan amendments	-
d. Demographic (gains) / losses	(12,070,501)
e. Assumption changes	(52,757,541)
f. Net Benefit payments	<u>(69,089,563)</u>
g. Net change in TOL	<u>\$ 5,210,873</u>
h. Total OPEB Liability – End of Measurement Period:	\$ 1,907,353,369
2. Fiduciary Net Position – Beginning of Measurement Period:	\$ 125,442,543
a. Employer contributions	68,901,880
b. Employee contributions	53,157,242
c. Retiree drug subsidy and other drug rebates	35,501,734
d. Net investment income	4,679,311
e. Benefit payments	(150,606,550)
f. Administrative expense	<u>(7,141,989)</u>
g. Net change in FNP	<u>\$ 4,491,628</u>
h. Fiduciary Net Position – End of Measurement Period:	\$ 129,934,171
3. Net OPEB Liability:	\$ 1,777,419,198
4. Funded Ratio: (2)(h) / (1)(h)	6.81%
5. Covered employees' payroll	\$ 1,604,409,677
6. Net OPEB Liability as a percentage of covered payroll: (3)/(5)	110.78%
7. NOL at Measurement Date - Sensitivities:	
a. 1% increase in Discount Rate	\$ 1,522,276,599
b. 1% decrease in Discount Rate	\$ 2,099,777,712
c. 1% increase in Trend Rates	\$ 2,110,427,350
d. 1% decrease in Trend Rates	\$ 1,514,489,168

¹ Values before implementation of GASB 74/75 are not required to be shown.

Section 3: Participant Information

3.1 Participant Information

Participant data used in the actuarial valuation are summarized below by the plan sponsor.

Measurement Date	6/30/2017
Census Date	1/1/2017
Active Employees	
1 Total	41,836
2 Average age	45.94
Participants and Spouses in Payment Status	
1 Total	20,060
2 Average age (participants only)	70.25
Participants with a Deferred Benefit	
1 Total	73
2 Average age	53.04
Disabled Participants	
1 Total	99
2 Average age	53.43

Note: Counts do not include spouses of disabled participants. At January 1, 2017 there were 14 spouses.

Counts do not include spouses of terminated vested employees. At January 1, 2017 there were 26 spouses.

3.2 Age and Service Distribution of Participating Employees

Attained Age	Attained Years of Credited Service and Number														Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over		
Under 25	1,069	387	174	38	15	6								1,689	
25-29	1,270	742	624	466	315	357	7							3,781	
30-34	791	472	444	395	382	1,296	344	4						4,128	
35-39	593	354	316	291	276	1,188	1,095	404	7					4,524	
40-44	433	254	237	219	204	947	956	1,148	315	7				4,720	
45-49	401	280	243	219	202	922	860	1,193	1,083	320	27			5,750	
50-54	300	245	207	217	187	899	854	1,034	969	825	306	13		6,056	
55-59	275	221	181	166	172	821	779	1,012	821	646	342	109	3	5,548	
60-64	143	117	94	122	104	630	653	780	571	334	159	81	26	3,814	
65-69	25	28	11	24	32	274	285	273	199	99	51	43	28	1,372	
70 & over	11	6	6	12	9	75	98	109	71	26	12	10	9	454	
Total	5,311	3,106	2,537	2,169	1,898	7,415	5,931	5,957	4,036	2,257	897	256	66	41,836	
Average: Age	45.94		Number of Participants:									Males	15,763		
												Females	26,073		
Census data as of January 1, 2017															

Appendix A

Statement of Actuarial Assumptions and Methods

Plan Sponsor

State of Missouri

Statement of Assumptions

The assumptions disclosed in this document are for the June 30, 2018 measurement date. These assumptions are used for liabilities disclosed under GASB 74.

Economic Assumptions

General Inflation Rate

The underlying general inflation assumption behind the discount rate assumption and the health care trend rate assumption is 3.00% per annum. This underlying rate is assumed to apply to all future years in the valuation projections.

Discount Rate

5.90% per annum, a detailed development of the discount rate is shown in Appendix C

Expected Return on Assets

6.50% per annum

Municipal Bond Rate

3.87% per annum

Compensation/Salary Increases

4.00% per annum

Health Care Trend Rates

Health care trend rates are the annual rates of increase expected for benefits payable from the Plan; these rates include Health Care Cost Trend plus the leveraging effect of Plan design.

Fiscal Year	Medical and Rx Combined Rate (non-Medicare)	Medical and Rx Combined Rate (Medicare)
2018	6.25	7.25
2019	6.00	7.00
2020	5.75	6.75
2021	5.50	6.50
2022	5.25	6.25
2023	5.00	6.00
2024	5.00	5.75
2025	5.00	5.50
2026	5.00	5.25
2027+	5.00	5.00

Per Capita Claims Cost

Per capita costs for fiscal 2018 are listed below. The per capita costs are net of plan deductibles, coinsurance, and co-payments but are not reduced for retiree contributions. These costs were developed from the calendar 2018 premium setting process, adjusted to Fiscal 2018 using plan trend.

Per Capita Cost (excludes administrative expenses)	
Age	FY 2018 Cost
55	\$ 9,737
60	11,552
65	3,195
70	3,348
75	3,673
80	3,898
85	3,868

Administrative Expenses

For Fiscal 2018, we will use a starting value developed from the calendar 2018 premium setting process, adjusted to Fiscal 2018 using the general inflation assumption of 3%. Future increases will also be assumed at the general inflation rate of 3%.

For Fiscal 2018, the admin expenses used are \$197 per person.

Demographic and Other Assumptions

Mortality

RP-2016 for Employees/Annuitants without collar adjustments using Scale MP-2016.

Retirement Probabilities

It is assumed that participants will retire according to the following schedule:

Age	Percent assumed to retire within one year
47-54	2.0% at each age
55	6.0%
56-57	7.0% at each age
58-59	7.5% at each age
60-61	10.0% at each age
62	20.0%
63	17.5%
64	15.0%
65	25.0%
66	27.5%
67-74	22.5% at each age
75	100.0%

Disability Rates

None assumed.

Disabled Mortality

None assumed.

Representative Termination Rates (not due to disability, retirement, or mortality)

During the first five years of service, employees are assumed to terminate according to the following schedule:

Percent assumed to terminate within one year	
Service	Male/Female
0-1	25.0%
1-2	25.0%
2-3	25.0%
3-4	12.0%
4-5	12.0%

After five years of service, we assume withdrawal rates that vary by attained age, as presented below:

Percent assumed to terminate within one year	
Age	Male/Female
20	12.0%
25	10.0%
30	8.5%
35	7.0%
40	5.5%
45	4.5%
50	4.5%
55	3.0%
60	3.0%
65	3.0%

Retiree Contributions

The State pays a percentage of the premium for a designated plan and subtracts the total state subsidy from the premium cost for the plan chosen by the retiree to determine the retiree contribution amount. This percentage is 2.5% per year of service, up to a maximum of 65%. The retiree pays the remainder of the premium.

FY 2018	
Pre-65	Post-65
\$ 11,565	\$ 3,686

The above premiums are developed from the premium rates for the designated plan for the 2018 calendar year, adjusted to Fiscal 2018 using plan trend. Future premiums (and thus State and retiree contributions) are assumed to increase with the healthcare cost trend rates.

Spouse Age Difference

Husbands are assumed to be three years older than wives for future retirees who are married.

Participation Assumptions for Plan

60% of employees currently enrolled in the program are assumed to elect postretirement health insurance coverage upon retirement.

50% of employees not currently enrolled in the program are assumed to elect postretirement health insurance coverage upon retirement.

Terminated vested employees are assumed to participate at age 60 as follows:

5% of those currently under age 40

15% of those currently between ages 40 and 49

60% of those currently age 50 and over

Dependent Coverage

50% of future participating male retirees and 30% of future participating female retirees are assumed to have spouses that elect to be covered under the MCHCP plan.

Methods

Census Date/Measurement Date

The measurement date is June 30, 2018. The liability valuation date is July 1, 2017. For purposes of determining benefit obligations as of the measurement date, participant data as of the census date, January 1, 2017 are used.

Funding Policy

Contributions to the plan are determined by the appropriations of the Missouri state legislature. MCHCP requests funding each year equal to the actuarial determined contribution developed based on fully funding the plan's benefit liability in 30 years. For projection purposes, we have assumed approvals by appropriations are equal to the average of the prior five fiscal years, adjusted to the current and future plan years using the plan's assumption for salary inflation.

Actuarial Cost Method

Entry age normal with level percentage of payroll spread.

Asset Method

Not Applicable

Benefits Not Included in Valuation

We believe that we have reflected all significant Plan provisions in this valuation.

Data Sources

Employee data was supplied by the Missouri Consolidated Healthcare as of January 1, 2017.

Assumptions Rationale - Significant Economic Assumptions for Accounting

Discount rate

As required by GASB 74, the discount rate was chosen by the plan sponsor. The discount rate was determined as a blend of the plan sponsor's best estimate of the expected return on plan assets and, as required by GASB 74, the 20-year high quality municipal bond rate as of the Measurement Date. For years where expected benefit payments can be covered by projected trust assets, expected returns are used. For years where payments are not expected to be covered by trust assets, the municipal bond rate is used.

Expected Return on Assets

The plan sponsor selected this assumption by considering real returns on the target asset allocation in combination with a long term expectation of inflation. An adjustment is also included for active management.

The target allocation and expected real return by asset class are shown below:

Asset Class	Allocation	Expected Real Return
Large cap stocks	20.0%	5.7%
Mid cap stocks	10.0%	6.0%
Small cap stocks	10.0%	6.0%
High-yield bonds	10.0%	2.9%
BarCap Aggregate bonds	20.0%	1.4%
Long Government / Credit	25.0%	1.6%
Cash equivalents	5.0%	0.3%

Rates of increase in plan administrative expenses

Administrative expenses are projected using general inflation.

Claims cost trend rates

Assumed increases were chosen by the plan sponsor and, as required by GASB 74, they represent an estimate of future experience, informed by an analysis of recent plan experience, leading to select and ultimate assumed trend rates. In setting near term trend rates, other pertinent statistics were considered, including surveys on general medical cost increases. In setting the ultimate trend rate, considerations included assumed GDP growth consistent with the assumed future economic conditions inherent in other economic assumptions chosen by the client at the measurement date.

After examining historical variability in trend rates, we believe that the selected assumptions do not significantly conflict with what would be reasonable based on a combination of market conditions at the measurement date and future expectations consistent with other economic assumptions used, other than the discount rate.

Participant contribution trend rates

In accordance with the substantive plan communicated to participants, participant contributions are intended to remain a fixed percentage of total plan costs, and thus the trend rates, and the description of the derivation of the trend rates, are the same as for claims costs as shown above.

Per capita claims costs

Per capita claims costs were chosen by the plan sponsor to be the best estimate of the plan's per capita claims costs including expenses in the plan year beginning on the measurement date (with any expected changes in future years reflected in the trend rate assumption).

Per capita claims cost assumptions were developed using historical claims, and enrolment information. Raw per capitas were developed and adjusted for completion (i.e., conversion from a paid to an incurred basis), plan changes, and trend.

EGWP Savings

EGWP savings projections were chosen by the plan sponsor to reflect anticipated EGWP savings based on projections provided by EGWP administrator. Anticipated subsidies are included in the claims cost assumptions.

Assumptions Rationale - Significant Demographic Assumptions

Healthy Mortality

Assumptions were selected by the plan sponsor and, as required by GASB74, represents a best estimate of future experience.

Termination

Termination rates were based on an experience study conducted in 2012, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.

Assumed termination rates differ by age and service because of observed differences in termination rates by service.

Retirement

Retirement rates were based on an experience study conducted in 2012, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.

Participation:

■ Participants

Assumed participation rates reflect historical experience as well as expectations of similar future coverage patterns.

■ Covered spouses

Assumed coverage rates for spouses reflect historical experience as well as expectations of similar future coverage marital patterns.

Marital Assumptions:

■ Percent married

The assumed percentage married is based on a blending of the marital status of recent retirees and of the current active population.

■ Spouse age

The assumed age difference for spouses is based on historical experience as well as expectations of similar future age differences.

Source of Prescribed Methods

Actuarial Cost Method

The methods used for GASB purposes as described in Appendix A, including the actuarial cost method, are “prescribed methods set by another party”, as defined in the actuarial standards of practice (ASOPs).

Changes in Assumptions and Methods

Change in assumptions since prior valuation

The discount rate was changed to 5.90% from 5.71%.

Change in methods since prior valuation

None.

Appendix B

Summary of Principal Plan Provisions

Plan Sponsor

State of Missouri

Plan

Missouri Consolidated Healthcare Plan

Plan Type

Cost-Sharing Multiple Employer Plan

Plan Year

The twelve-month period ending June 30, 2018.

Eligibility

A participant is eligible for coverage if, at the time of termination of state employment, the participant is eligible to receive a monthly retirement benefit from either the Missouri State Employees' Retirement System (MOSERS) or from the Public School Retirement System (PSRS) for State employment, and has met one of the following requirements:

- has had coverage through MCHCP since the effective date of the last Open Enrolment period; or
- has had other health insurance for the six months immediately prior to termination of state employment (proof of insurance required); or
- has had coverage since first eligible.

A participant who terminates employment before being eligible to receive post-retirement coverage will still be eligible upon reaching retirement age if he/she remains enrolled through MCHCP through retirement age. For valuation purposes, it is assumed that they will begin receiving benefits at their earliest eligibility date.

Plans Available to Retirees

PPO 300
PPO 600
HDHP (HSA)

For 2014 and future years, the prescription drug coverage under these two plans for post-Medicare retirees will be provided through an Employer Group Waiver Plan (EGWP).

State Contributions

The contribution amount for a retiree is calculated using the number of full years of service as reported to MCHCP by MOSERS or PSRS times 2.5%, capped at 65% with the actual amount determined by State appropriations. Prior to January 1, 2005, the maximum is 60%.

The percentage paid by the State remains the same at Medicare eligibility.

The State pays a percentage of a designated plan and subtracts the total premium from the plan chosen by the retiree.

For retirements prior to January 1, 2002, the contribution will be the greater of the contribution based on the years of service and the amount being paid at that date. This is re-determined each year for January coverage.

Retiree Contributions

Retirees pay the portion of the premium not covered by the State.

Appendix C

Discount Rate Development:

Missouri Consolidated Healthcare Plan										Present Value using EROA and Muni Rate		2,083,753,028
Expected Return on Assets			6.50%							Present Value using Weighted Interest Rate		2,083,753,028
Municipal Bond Rate			3.87%							Weighted Interest Rate		5.90%
Initial Year Contribution			72,200,000									
				Expected Co.				Discount Rate				
	Trust Fund Beginning of	OPEB Cash Flows (PVB)	Administrative Expenses	Contributions to Trust	Net Investment Earnings	Trust Fund End of Year	Percent Funded	Applied to Year	Discounted Cash Flows	Weighted Interest Rate	Discounted Cash Flows	
Year												
0.5	129,934,171	(78,713,088)		72,200,000	8,237,378	131,658,461	100.00%	6.50%	76,473,631	5.90%	76,672,954	
1.5	131,658,461	(82,312,192)		71,671,654	8,217,426	129,235,350	100.00%	6.50%	75,089,519	5.90%	75,714,021	
2.5	129,235,350	(86,462,000)		71,663,542	7,926,919	122,363,811	100.00%	6.50%	74,061,214	5.90%	75,102,467	
3.5	122,363,811	(90,987,701)		71,876,795	7,371,718	111,543,823	100.00%	6.50%	72,441,901	5.90%	73,878,800	
4.5	111,543,823	(93,977,512)		72,240,177	6,554,994	96,361,282	100.00%	6.50%	70,972,528	5.90%	72,792,523	
5.5	96,361,282	(97,926,648)		72,746,534	5,458,012	76,639,180	100.00%	6.50%	69,441,264	5.90%	71,627,636	
6.5	76,639,180	(102,145,760)		73,369,004	4,061,025	51,923,448	100.00%	6.50%	68,012,300	5.90%	70,553,241	
7.5	51,923,448	(106,283,255)		74,123,582	2,346,289	22,110,064	100.00%	6.50%	66,448,067	5.90%	69,323,163	
8.5	22,110,064	(103,362,057)		74,985,408	305,513	-	88.26%	6.19%	66,398,270	5.90%	67,975,155	
9.5	-	(114,547,500)		75,969,666	-	-	66.32%	5.81%	68,329,761	5.90%	66,624,466	
10.5	-	(118,565,815)		77,089,521	-	-	65.02%	5.58%	67,194,747	5.90%	65,121,393	
11.5	-	(122,762,233)		78,341,230	-	-	63.82%	5.55%	66,122,685	5.90%	63,671,618	
12.5	-	(127,630,389)		79,720,643	-	-	62.46%	5.51%	65,405,334	5.90%	62,510,374	
13.5	-	(132,408,227)		81,242,417	-	-	61.36%	5.48%	64,547,372	5.90%	61,239,251	
14.5	-	(137,115,759)		82,910,753	-	-	60.47%	5.46%	63,570,971	5.90%	59,885,154	
15.5	-	(141,992,005)		84,719,177	-	-	59.66%	5.44%	62,616,792	5.90%	58,561,553	
16.5	-	(146,494,192)		86,678,946	-	-	59.17%	5.43%	61,388,286	5.90%	57,050,086	
17.5	-	(150,445,613)		88,797,850	-	-	59.02%	5.42%	59,843,330	5.90%	55,330,172	
18.5	-	(154,130,263)		91,080,759	-	-	59.09%	5.42%	58,136,829	5.90%	53,528,775	
19.5	-	(157,684,001)		93,528,337	-	-	59.31%	5.43%	56,356,792	5.90%	51,713,498	
20.5	-	(161,407,206)		96,140,558	-	-	59.56%	5.44%	54,646,583	5.90%	49,886,888	
21.5	-	(164,581,275)		98,937,509	-	-	60.11%	5.45%	52,692,565	5.90%	48,131,622	
22.5	-	(167,485,441)		101,914,928	-	-	60.85%	5.47%	50,641,504	5.90%	46,253,440	
23.5	-	(170,103,275)		105,079,677	-	-	61.77%	5.49%	48,502,559	5.90%	44,360,512	
24.5	-	(173,395,169)		108,437,162	-	-	63.07%	5.53%	46,102,400	5.90%	42,338,962	
25.5	-	(173,578,653)		111,985,572	-	-	64.52%	5.57%	43,705,164	5.90%	40,365,839	
26.5	-	(174,856,231)		115,732,464	-	-	66.19%	5.61%	41,248,338	5.90%	38,398,625	
27.5	-	(175,301,020)		119,689,486	-	-	68.28%	5.67%	38,601,019	5.90%	36,352,636	
28.5	-	(175,321,855)		123,855,965	-	-	70.64%	5.73%	35,928,000	5.90%	34,332,420	
29.5	-	(175,063,689)		126,241,380	-	-	73.25%	5.80%	33,289,109	5.90%	32,372,876	
30.5	-	(174,226,328)		132,854,550	-	-	76.25%	5.88%	30,611,837	5.90%	30,424,061	
31.5	-	(172,888,978)		137,695,433	-	-	79.64%	5.96%	27,941,267	5.90%	28,509,287	
32.5	-	(171,067,414)		142,775,464	-	-	83.46%	6.07%	25,300,821	5.90%	26,638,099	
33.5	-	(168,731,449)		148,101,342	-	-	87.77%	6.18%	22,701,962	5.90%	24,811,263	
34.5	-	(166,059,541)		153,676,839	-	-	92.54%	6.30%	20,203,407	5.90%	23,058,633	

Missouri Consolidated Healthcare Plan

Expected Return on Assets	6.50%	Present Value using EROA and Muni Rate	2,083,753,028
Municipal Bond Rate	3.87%	Present Value using Weighted Interest Rate	2,083,753,028
Initial Year Contribution	72,200,000	Weighted Interest Rate	5.90%

Year	Trust Fund Beginning of Year	OPES Cash Flows (PVB)	Administrative Expenses	Expected Co. Contributions to Trust	Net Investment Earnings	Trust Fund End of Year	Percent Funded	Discount Rate Applied to Year	Discounted Cash Flows	Weighted Interest Rate	Discounted Cash Flows
35.5	-	(162,799,446)		159,519,080	-	-	97.99%	6.45%	17,764,212	5.90%	21,347,133
36.5	-	(159,124,397)		165,633,978	208,231	6,717,812	100.00%	6.50%	16,018,272	5.90%	19,703,360
37.5	6,717,812	(155,051,172)		172,026,761	979,679	24,673,080	100.00%	6.50%	14,655,625	5.90%	18,129,903
38.5	24,673,080	(150,759,558)		178,709,558	2,498,001	55,126,593	100.00%	6.50%	13,379,770	5.90%	16,645,862
39.5	55,126,593	(146,394,560)		185,692,731	4,840,313	99,265,077	100.00%	6.50%	12,199,864	5.90%	15,284,380
40.5	99,265,077	(141,890,680)		192,983,458	8,086,605	158,444,459	100.00%	6.50%	11,102,846	5.90%	13,970,919
41.5	158,444,459	(137,321,696)		200,592,673	12,322,825	234,038,261	100.00%	6.50%	10,089,508	5.90%	12,768,126
42.5	234,038,261	(132,777,166)		208,527,188	17,635,607	327,423,889	100.00%	6.50%	9,160,193	5.90%	11,658,114
43.5	327,423,889	(128,185,397)		216,798,802	24,117,151	440,154,446	100.00%	6.50%	8,303,672	5.90%	10,628,216
44.5	440,154,446	(123,580,509)		225,416,525	31,867,607	573,858,070	100.00%	6.50%	7,516,783	5.90%	9,675,840
45.5	573,858,070	(118,957,668)		234,391,361	40,993,310	730,285,072	100.00%	6.50%	6,793,989	5.90%	8,795,247
46.5	730,285,072	(114,279,228)		243,735,155	51,609,614	911,350,613	100.00%	6.50%	6,128,442	5.90%	7,978,841
47.5	911,350,613	(109,548,858)		253,460,369	63,841,285	1,119,103,409	100.00%	6.50%	5,516,213	5.90%	7,222,661
48.5	1,119,103,409	(104,778,997)		263,581,994	77,821,571	1,355,727,977	100.00%	6.50%	4,954,021	5.90%	6,523,498
49.5	1,355,727,977	(99,960,667)		274,113,674	93,693,190	1,623,574,173	100.00%	6.50%	4,437,753	5.90%	5,876,955
50.5	1,623,574,173	(95,104,655)		285,070,733	111,609,027	1,925,149,278	100.00%	6.50%	3,964,479	5.90%	5,280,097
51.5	1,925,149,278	(90,230,083)		296,468,684	131,731,940	2,263,119,819	100.00%	6.50%	3,531,719	5.90%	4,730,514
52.5	2,263,119,819	(85,357,408)		308,324,913	154,235,156	2,640,322,481	100.00%	6.50%	3,137,086	5.90%	4,225,860
53.5	2,640,322,481	(80,503,467)		320,656,501	179,303,066	3,059,778,580	100.00%	6.50%	2,778,114	5.90%	3,763,616
54.5	3,059,778,580	(75,686,082)		333,482,204	207,132,086	3,524,706,788	100.00%	6.50%	2,452,460	5.90%	3,341,363
55.5	3,524,706,788	(70,921,442)		346,821,396	237,931,532	4,038,538,274	100.00%	6.50%	2,157,813	5.90%	2,956,665
56.5	4,038,538,274	(66,228,532)		360,694,252	271,924,467	4,604,928,461	100.00%	6.50%	1,892,047	5.90%	2,607,274
57.5	4,604,928,461	(61,627,144)		375,122,022	309,348,541	5,227,771,880	100.00%	6.50%	1,653,138	5.90%	2,291,028
58.5	5,227,771,880	(57,132,291)		390,126,903	350,457,128	5,911,223,619	100.00%	6.50%	1,439,028	5.90%	2,005,658
59.5	5,911,223,619	(52,756,821)		405,731,979	395,520,636	6,659,719,413	100.00%	6.50%	1,247,718	5.90%	1,748,923
60.5	6,659,719,413	(48,512,748)		421,961,259	444,827,772	7,477,995,696	100.00%	6.50%	1,077,319	5.90%	1,518,675
61.5	7,477,995,696	(44,411,073)		438,839,709	498,686,850	8,371,111,181	100.00%	6.50%	926,040	5.90%	1,312,856
62.5	8,371,111,181	(40,462,291)		456,393,297	557,427,183	9,344,469,370	100.00%	6.50%	792,209	5.90%	1,129,518
63.5	9,344,469,370	(36,675,598)		474,649,029	621,400,566	10,403,843,367	100.00%	6.50%	674,243	5.90%	966,801
64.5	10,403,843,367	(33,059,944)		493,634,990	690,982,865	11,555,401,278	100.00%	6.50%	570,679	5.90%	822,960
65.5	11,555,401,278	(29,623,508)		513,380,390	766,575,678	12,805,733,839	100.00%	6.50%	480,150	5.90%	696,354
66.5	12,805,733,839	(26,374,356)		533,915,606	848,608,118	14,161,883,207	100.00%	6.50%	401,396	5.90%	585,453
67.5	14,161,883,207	(23,319,696)		555,272,230	937,538,704	15,631,374,444	100.00%	6.50%	333,245	5.90%	488,821
68.5	15,631,374,444	(20,465,452)		577,483,119	1,033,857,427	17,222,249,538	100.00%	6.50%	274,608	5.90%	405,103
69.5	17,222,249,538	(17,816,119)		600,582,444	1,138,087,966	18,943,103,829	100.00%	6.50%	224,468	5.90%	333,023
70.5	18,943,103,829	(15,375,252)		624,605,742	1,250,790,040	20,803,124,359	100.00%	6.50%	181,892	5.90%	271,394
71.5	20,803,124,359	(13,144,758)		649,589,971	1,372,561,930	22,812,131,502	100.00%	6.50%	146,014	5.90%	219,103
72.5	22,812,131,502	(11,124,583)		675,573,570	1,504,043,189	24,980,623,678	100.00%	6.50%	116,032	5.90%	175,104
73.5	24,980,623,678	(9,312,735)		702,596,513	1,645,917,558	27,319,825,014	100.00%	6.50%	91,205	5.90%	138,422
74.5	27,319,825,014	(7,705,122)		730,700,373	1,798,916,067	29,841,736,333	100.00%	6.50%	70,855	5.90%	108,150
75.5	29,841,736,333	(6,295,430)		759,928,388	1,963,820,353	32,559,189,644	100.00%	6.50%	54,359	5.90%	83,443
76.5	32,559,189,644	(5,075,019)		790,325,524	2,141,466,212	35,485,906,361	100.00%	6.50%	41,146	5.90%	63,521
77.5	35,485,906,361	(4,033,018)		821,938,545	2,332,747,380	38,636,559,267	100.00%	6.50%	30,703	5.90%	47,668
78.5	38,636,559,267	(3,156,473)		854,816,087	2,538,619,357	42,026,838,438	100.00%	6.50%	22,563	5.90%	35,230

Appendix D

Glossary

Actuarial Present Value

The value, as of the valuation date, of amounts payable or receivable thereafter, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (to reflect death, disability or termination of employment) between the valuation date and the expected date of payment.

Actuarially Determined Contribution (ADC)

The plan's normal cost plus an amortization of its unfunded actuarial accrued liability.

Discount Rate

The rate used to reflect the time value of money. The discount rate is used in determining the present value as of the valuation date of future cash flows currently expected to be required to satisfy the post-employment benefit obligation.

Gain or Loss

A change in the value of either the actuarial accrued liability or plan assets resulting from experience different from that assumed or from a change in an actuarial assumption.

Health Care Cost Trend Rates

An assumption about the annual rate(s) of change in the cost of health care benefits currently provided by the post-employment benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the valuation date until the end of the period in which benefits are expected to be paid. The health care cost trend rates implicitly consider estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants. Differing types of services, such as hospital care and dental care, may have different trend rates.

Net OPEB Liability

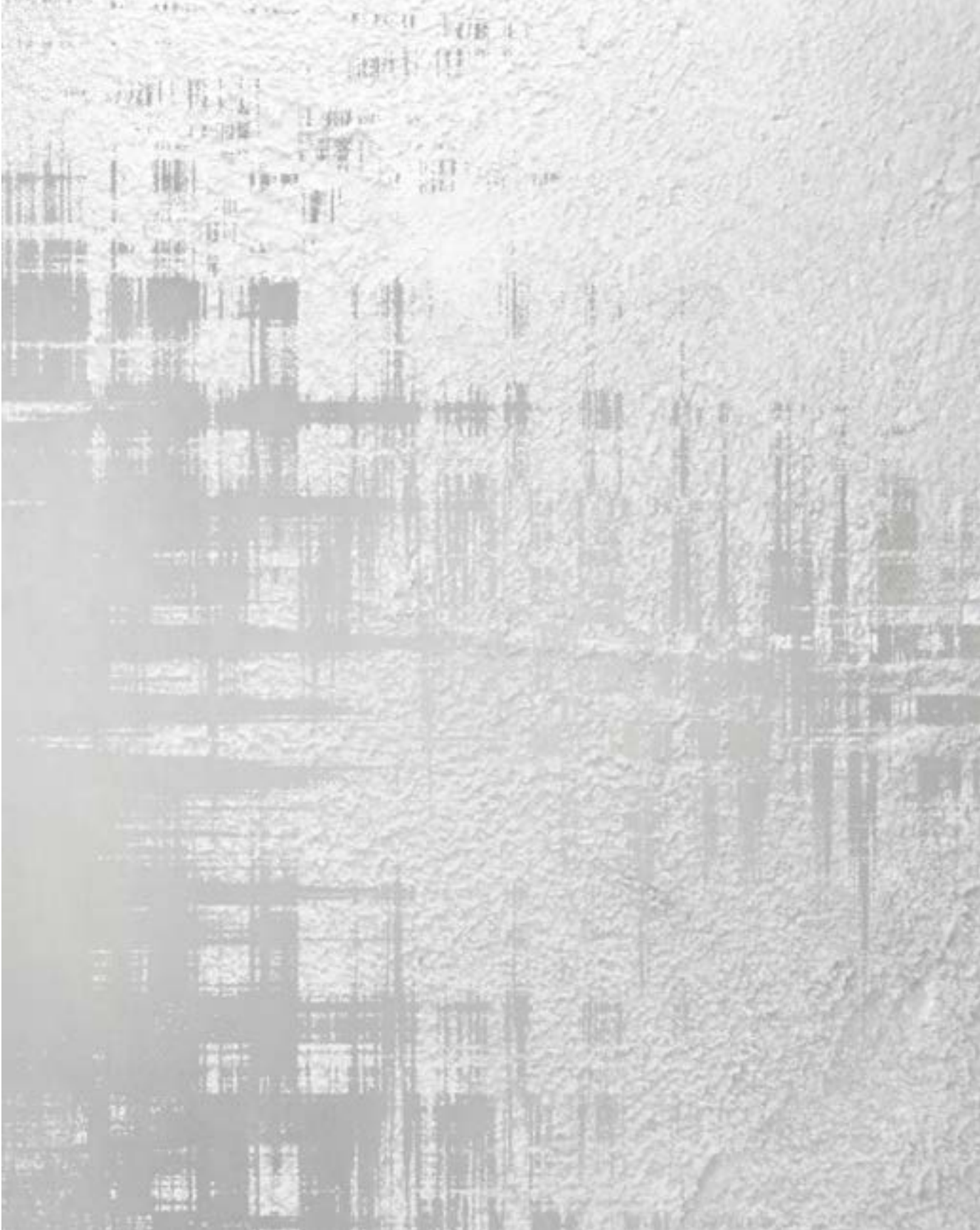
The difference between the Total OPEB Liability and the Net Fiduciary Position.

Normal Cost/Service Cost

The portion of the expected post-employment benefit obligation attributed to employee service during the year immediately following the valuation date.

Total OPEB Liability

The actuarial present value of benefits attributed to employee service rendered prior to the valuation date.





Statistical

Historical Data: Revenues by Source

Internal Service Fund, ten years ended June 30, 2018

Fiscal Year	State/Employer Contributions	Member Contributions	Public Entity Income	Pharmacy Rebates & Subsidy	Total Operating Revenues	Investment & Other Income
2018	334,208,126	80,156,169	7,559,037	24,832,110	446,755,442	1,222,021
2017	327,233,709	80,960,318	7,468,778	17,365,478	433,028,283	893,977
2016	324,857,578	83,815,598	7,904,470	13,500,867	430,078,513	1,173,043
2015	324,630,770	83,734,256	8,063,991	5,689,731	422,118,748	735,595
2014	314,696,927	87,402,560	8,234,207	7,684,071	418,017,765	877,940
2013	316,307,501	90,793,617	8,215,776	4,256,453	419,573,347	436,909
2012	319,804,444	89,797,753	8,492,621	5,375,360	423,470,178	853,463
2011	354,247,003	83,925,846	9,513,436	4,522,990	452,209,275	708,812
2010	356,953,666	73,309,792	10,295,456	5,344,809	445,903,723	1,104,898
2009	270,289,644	65,348,201	9,966,190	4,603,754	350,207,789	2,504,570

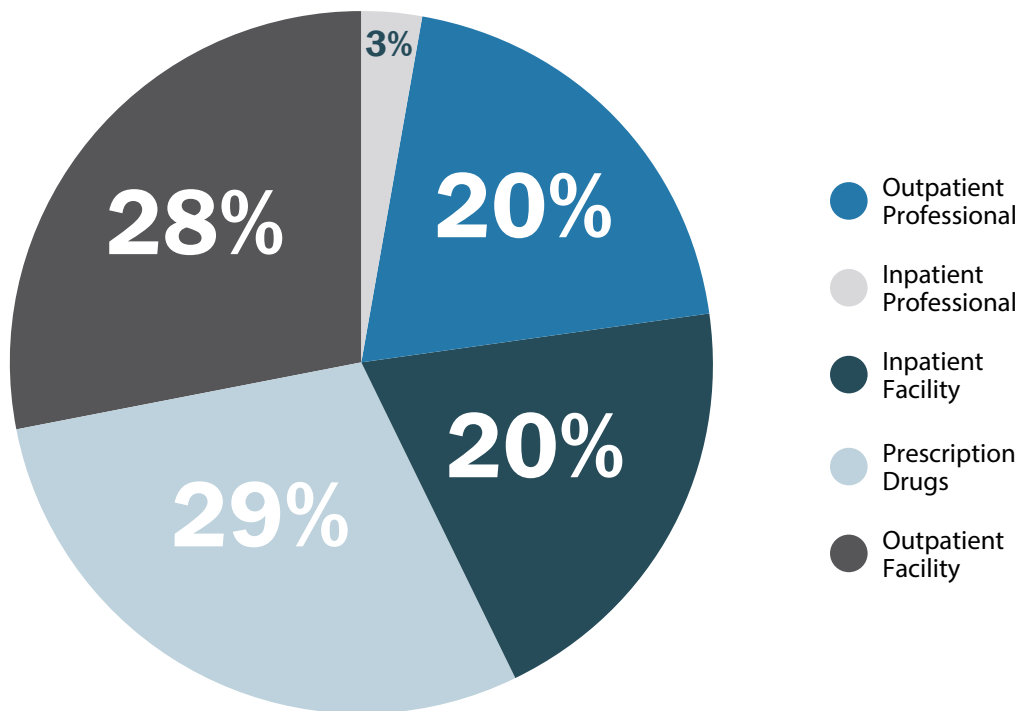
Historical Data: Expenses by Type

Internal Service Fund, ten years ended June 30, 2018

Fiscal Year	Medical Claims/Capitation & Health Administrative Services			Total Operating Expenses & Fees
	Services	Administration & Payroll	Other	
2018	525,142,217	4,460,726	1,206,145	530,809,088
2017	474,453,616	4,317,715	1,488,309	480,259,640
2016	452,409,305	3,846,601	1,644,070	457,899,976
2015	420,740,454	3,998,457	1,846,818	426,585,729
2014	399,793,666	3,966,917	1,961,783	405,722,366
2013	384,588,353	3,983,962	1,805,563	390,377,878
2012	381,291,864	3,885,557	2,097,573	387,274,994
2011	422,066,045	4,148,726	2,134,781	428,349,552
2010	422,117,593	4,275,900	2,230,997	428,624,490
2009	431,216,276	4,809,936	2,117,078	438,143,290

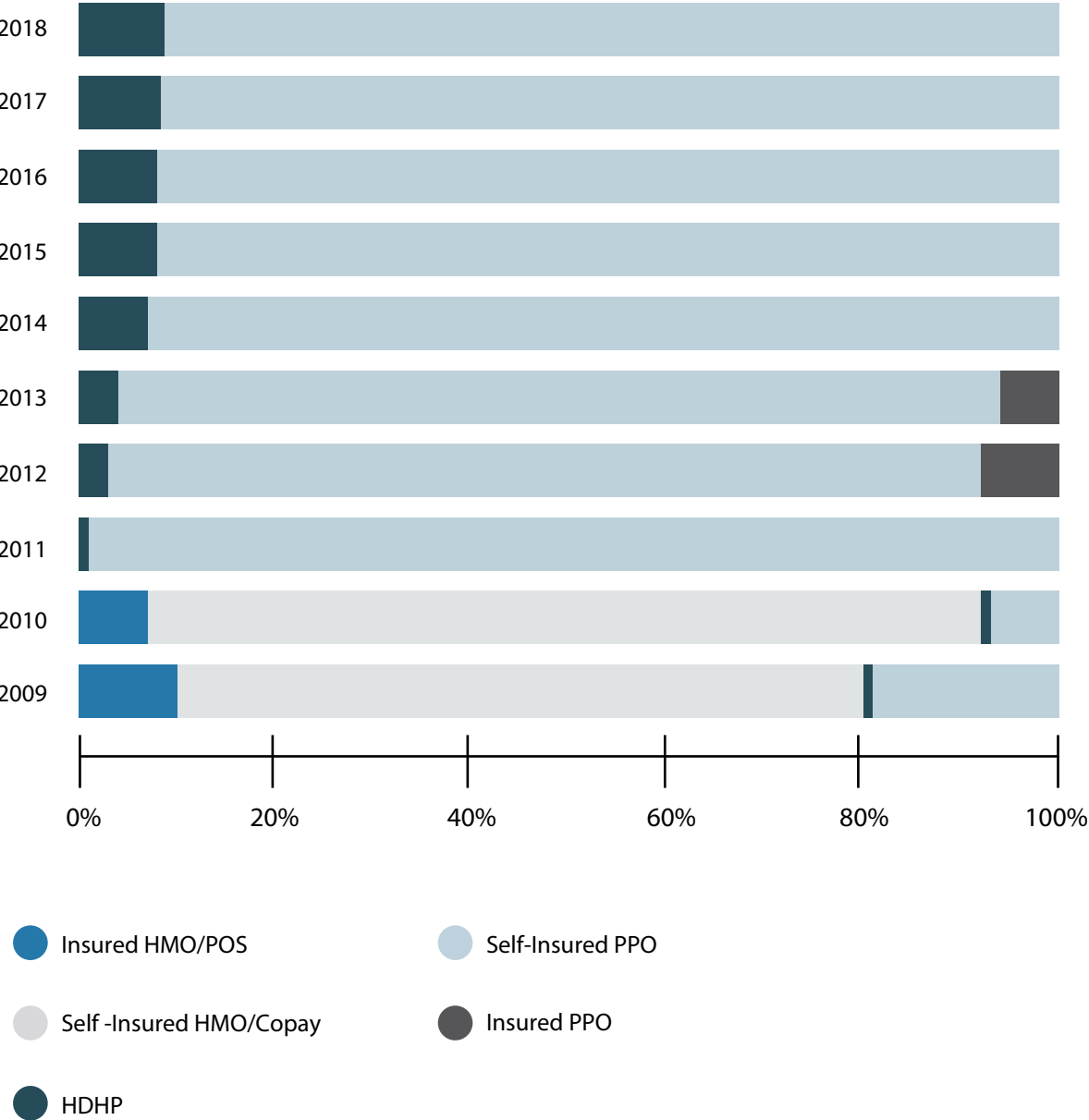
Distribution of Claim Payments

State Membership, Fiscal Year 2018



Healthcare Options by Year & Total Lives

State Membership, ten years ended June 30, 2018





Statement of Revenues, Expenses & Changes in Net Position

Internal Service Fund, ten years ended June 30, 2018

Fiscal Year Ending	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenues										
State/employer contributions	\$334,208,126	\$327,233,709	\$324,857,578	\$324,630,770	\$314,696,927	\$316,307,501	\$319,804,444	\$354,247,003	\$356,953,666	\$270,289,644
Member contributions	80,156,169	80,960,318	83,815,598	83,734,256	87,402,560	90,793,617	89,797,753	83,925,846	73,309,792	65,348,201
Public entity contributions	7,559,037	7,468,778	7,904,470	8,063,991	8,234,207	8,215,776	8,492,621	9,513,436	10,295,456	9,966,190
Pharmacy rebates	24,832,110	17,365,478	13,500,867	5,689,731	7,684,071	4,256,453	5,375,360	4,522,990	5,344,809	4,603,754
Total Operating Revenues	\$446,755,442	\$433,028,283	\$430,078,513	\$422,118,748	\$418,017,765	\$419,573,347	\$423,470,178	\$452,209,275	\$445,903,723	\$350,207,789
Operating Expenses										
Medical claims & capitation expense	\$514,367,757	\$462,217,654	\$437,471,527	\$403,830,055	\$384,618,997	\$372,475,046	\$369,224,125	\$409,567,239	\$405,742,184	\$411,593,266
Claims administration services	10,768,757	11,445,426	13,218,054	15,639,455	13,852,877	10,806,319	10,715,326	11,127,397	13,711,789	15,104,342
Payroll and related benefits	3,620,926	3,580,771	3,192,904	3,171,205	3,256,596	2,956,116	2,995,419	3,118,821	3,365,166	3,605,582
Health management	5,703	790,536	1,719,724	1,270,944	1,321,792	1,306,988	1,352,413	1,371,409	2,663,620	4,518,668
Administration	775,553	736,944	653,697	827,252	710,321	893,425	755,431	668,081	910,734	1,204,354
Professional services	733,700	862,896	962,817	1,132,123	1,239,582	1,219,526	1,410,821	1,359,829	1,132,392	1,137,039
Employee Assistance Program	472,445	536,566	594,341	598,961	578,534	586,037	686,752	774,952	757,934	696,380
Depreciation	64,247	88,847	86,912	115,734	143,667	134,421	134,707	361,824	340,671	283,659
Total Operating Expenses	\$530,809,088	\$480,259,640	\$457,899,976	\$426,585,729	\$405,722,366	\$390,377,878	\$387,274,994	\$428,349,552	\$428,624,490	\$438,143,290
Operating revenues over (under) operating expenses	(84,053,646)	(47,231,357)	(27,821,463)	(4,466,981)	12,295,399	29,195,469	36,195,184	23,859,723	17,279,233	(87,935,501)
Nonoperating Revenues										
Investment and other income	1,222,021	893,977	1,173,043	\$735,595	\$877,940	\$436,909	\$853,463	\$708,812	\$1,104,898	\$2,504,570
Net Position										
Change in net position	(\$82,831,625)	(\$46,337,380)	(\$26,648,420)	(\$3,731,386)	\$13,173,339	\$29,632,378	\$37,048,647	\$24,568,535	\$18,384,131	(\$85,430,931)
Net position, beginning of year, adjusted	62,445,566	108,782,946	135,431,366	139,162,752	130,428,285	100,795,907	63,747,260	39,178,725	20,794,594	106,225,525
Net Position, End of Year	(\$20,386,059)	\$62,445,566	\$108,782,946	\$135,431,366	\$143,601,624	\$130,428,285	\$100,795,907	\$63,747,260	\$39,178,725	\$20,794,594

Statement of Change in Fiduciary Net Position

State Retiree Welfare Benefit Trust, for the ten fiscal years ended June 30, 2018

Additions	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employer contributions	\$68,901,880	\$67,398,726	\$66,199,740	\$62,585,666	\$56,314,655	\$54,005,719	\$57,090,104	\$53,353,553	\$74,384,744	\$91,446,684
Retiree contributions	53,157,242	52,169,890	51,446,647	50,343,105	50,921,465	51,217,932	50,832,210	50,923,370	50,658,363	47,116,522
Investment income	4,679,311	7,838,782	2,275,792	4,003,656	11,790,754	6,882,517	3,491,526	8,838,531	3,420,671	677,279
Retiree drug subsidy & other rebates	35,501,734	30,514,297	29,696,367	14,865,605	6,849,482	7,083,186	8,276,097	8,216,818	8,335,420	8,095,327
Total Additons	\$162,240,167	\$157,921,695	\$149,618,546	\$131,798,032	\$125,876,356	\$119,189,354	\$119,689,937	\$121,332,272	\$136,799,198	\$147,335,812
Deductions										
Medical claims & capitation expense	\$150,606,550	\$142,154,216	\$131,451,967	\$118,668,233	\$105,340,449	\$106,638,547	\$109,968,530	\$107,360,435	\$104,628,432	\$105,946,408
Claims administration services	4,389,802	4,325,639	4,892,410	5,865,488	5,110,073	3,996,858	3,764,844	4,115,613	4,570,596	4,769,792
Administration & other	2,752,187	2,984,613	3,193,562	2,632,026	2,681,689	2,624,738	2,577,353	2,831,271	3,056,839	3,614,426
Total Deductions	\$157,748,539	\$149,464,468	\$139,537,939	\$127,165,747	\$113,132,211	\$113,260,143	\$116,310,727	\$114,307,319	\$112,255,867	\$114,330,626
Net Increase	4,491,628	8,457,227	10,080,607	4,632,285	12,744,145	5,929,211	3,379,210	7,024,953	24,543,331	33,005,186
Net Position Held in Trust for Other Post Employment										
Beginning of Year	125,442,543	116,985,316	106,904,709	102,272,424	89,528,279	83,599,068	80,219,858	73,194,905	48,651,574	15,646,388
End of Year	\$129,934,171	\$125,442,543	\$116,985,316	\$106,904,709	\$102,272,424	\$89,528,279	\$83,599,068	\$80,219,858	\$73,194,905	\$48,651,574

Schedule of Net Position by Component

Internal Service Fund, ten years ended June 30, 2018

Net Position	Net investments in capital assets	Unrestricted	Total net position
2018	\$287,155	(\$20,673,214)	(\$20,386,059)
2017	283,032	62,162,534	\$62,445,566
2016	221,396	108,561,550	108,782,946
2015	304,082	135,127,283	135,431,365
2014	250,090	143,351,534	143,601,624
2013	262,720	130,165,565	130,428,285
2012	256,281	100,539,626	100,795,907
2011	333,028	63,414,232	63,747,260
2010	418,325	38,760,400	39,178,725
2009	488,735	20,305,859	20,794,594

Full-Time Employees

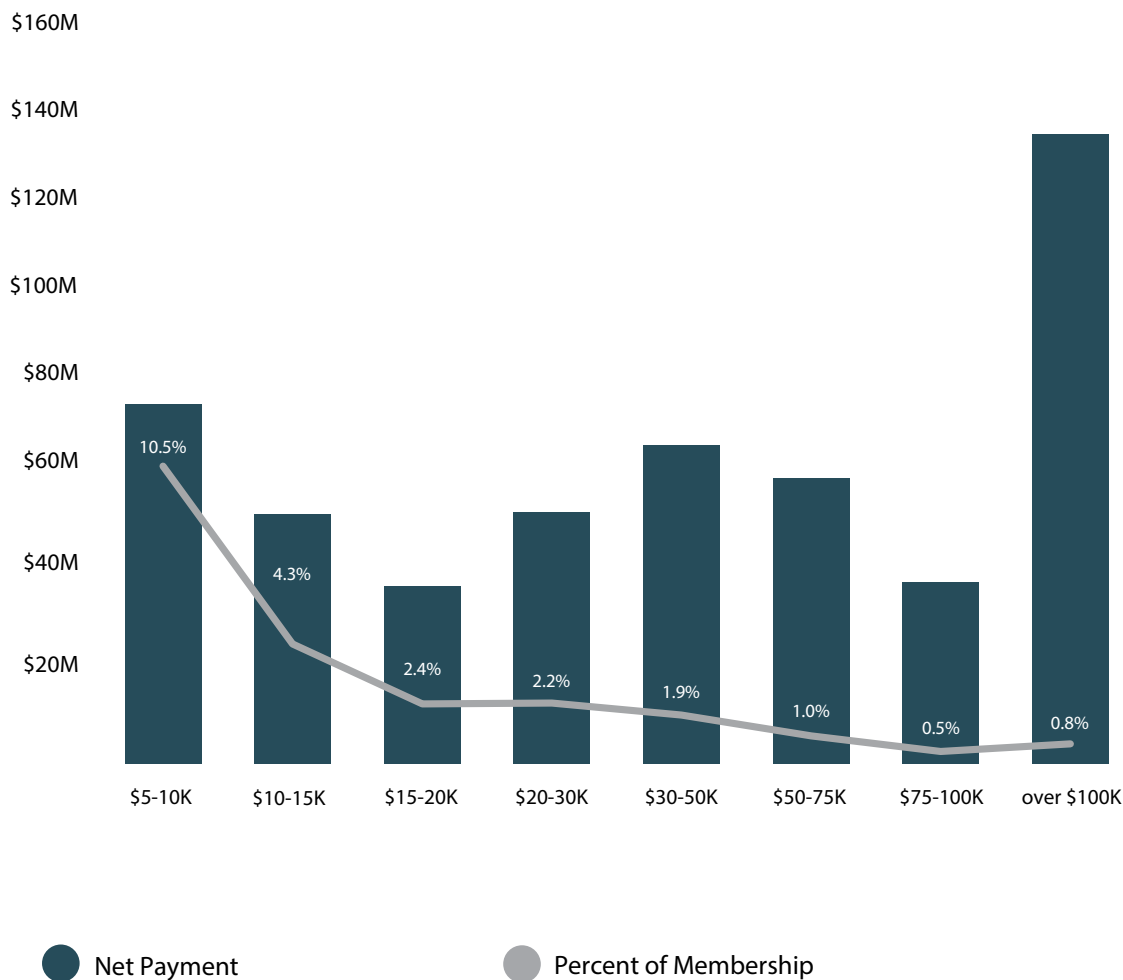
Missouri Consolidated Health Care Plan, ten years ended June 30, 2018

Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Executive & Administration	2.00	2.00	2.00	2.00	2.00	2.00	5.00	4.76	4.46	3.61
Operations	44.75	46.58	48.54	50.00	50.97	48.10	46.59	47.79	52.80	58.98
General Counsel	1.00	1.00	1.20	2.00	2.50	1.50	2.00	1.75	0.75	1.00
Internal Audit	3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00	2.96	3.00
Human Resources	1.00	1.00	1.00	1.00	1.00	0.53	1.00	0.82	1.48	2.00
Fiscal	4.91	5.92	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Totals	56.66	59.5	61.74	64.00	66.47	62.13	63.59	64.12	68.45	74.59

Source: Missouri Consolidated Health Care Budget Documents

Paid Claims Distribution by Individual

State Members Fiscal Year 2018



76.5% of membership accumulated \$0-\$5K in claims and accounted for \$81.4M in cost

State Membership Enrolled in MCHCP

Subscribers & Dependents as of June 30, 2018

Age	Active		Retiree		COBRA		Disabled		Survivors		Vested		Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
< 1	396	401	5	3	1	1	0	0	0	0	1	0	808
1 - 10	4,476	4,822	18	13	5	2	0	0	1	3	7	2	9,349
11 - 19	5,774	6,015	121	94	2	1	0	2	12	12	3	4	12,040
20 - 24	3,622	3,430	214	208	1	1	2	1	12	8	9	5	7,513
25 - 29	2,735	1,994	43	45	7	11	0	0	1	2	1	0	4,839
30 - 34	2,678	1,828	3	10	1	4	0	0	0	1	4	0	4,529
35 - 39	3,060	1,861	4	7	2	3	2	2	0	1	3	2	4,947
40 - 44	3,283	2,048	4	7	2	0	4	2	0	1	4	3	5,358
45 - 49	3,936	2,389	20	9	1	1	10	3	2	0	10	7	6,388
50 - 54	4,007	2,581	289	153	4	4	13	10	2	3	15	9	7,090
55 - 59	3,690	2,518	1,242	561	6	4	17	3	16	3	15	10	8,085
60 - 64	2,421	1,868	2,423	1,298	10	11	11	2	31	15	4	7	8,101
65 - 69	679	673	2,907	1,823	0	0	2	1	82	21	0	2	6,190
70 - 74	114	169	2,270	1,608	0	0	2	1	103	27	0	0	4,294
75 - 79	19	39	1,459	976	0	0	0	0	127	45	1	0	2,666
80 +	3	7	1,718	937	0	0	0	0	344	66	1	1	3,077
Total	40,893	32,643	12,740	7,752	42	43	63	27	733	208	78	52	95,274
	Total Active 73,536		Total Retirees 20,492		Total COBRA 85		Total Disabled 90		Total Survivors 941		Total Vested 130		

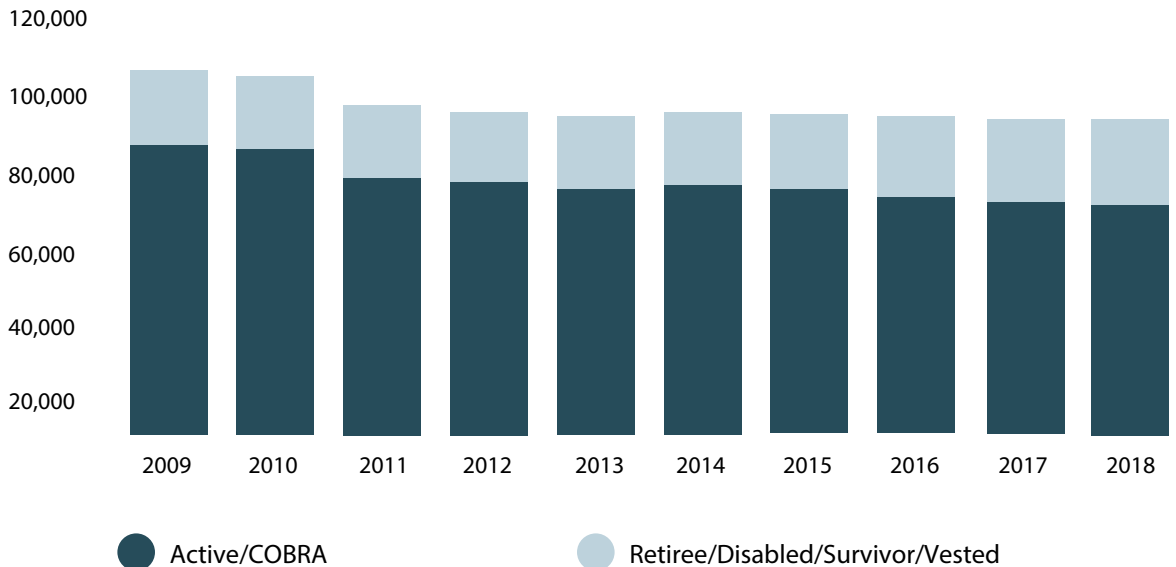
Enrollment History

State Membership, ten years ended June 30, 2018

Year	Active	Retiree	COBRA	Disabled	Survivors	Vested	Total
2009	88,277	16,802	189	351	852	210	106,681
2010	86,744	17,122	260	271	857	171	105,425
2011	79,317	17,682	147	258	872	165	98,441
2012	77,069	17,937	65	221	867	169	96,328
2013	76,288	18,361	111	205	847	171	95,983
2014	76,713	18,630	65	167	855	159	96,589
2015	75,808	19,100	59	136	893	142	96,138
2016	74,761	19,534	49	133	909	141	95,527
2017	74,094	20,077	81	121	927	128	95,428
2018	73,536	20,492	85	90	941	130	95,274

Enrollment Distribution

State Membership, ten years ended June 30, 2018



Public Entity Membership Enrolled in MCHCP

Subscribers & Dependents as of June 30, 2018

Age	Active		Retiree		COBRA		Total
	Female	Male	Female	Male	Female	Male	
<1	7	1	0	0	0	0	8
1-10	29	25	0	0	0	0	54
11-19	37	32	0	0	2	1	72
20-24	36	51	0	0	0	0	87
25-29	45	49	0	0	0	0	94
30-34	47	41	0	0	0	0	88
35-39	39	34	0	0	0	1	74
40-44	45	37	0	0	0	0	82
45-49	44	40	0	0	0	0	84
50-54	82	36	0	0	0	0	118
55-59	71	46	0	0	0	0	117
60-64	65	44	0	0	1	0	110
65-69	27	16	0	0	0	0	43
70-74	5	6	0	0	0	0	11
75-79	0	1	1	2	0	0	4
80+	0	0	1	0	0	0	1
Total	579	459	2	2	3	2	1,047
Total Active 1,038		Total Retirees 4		Total COBRA 5			

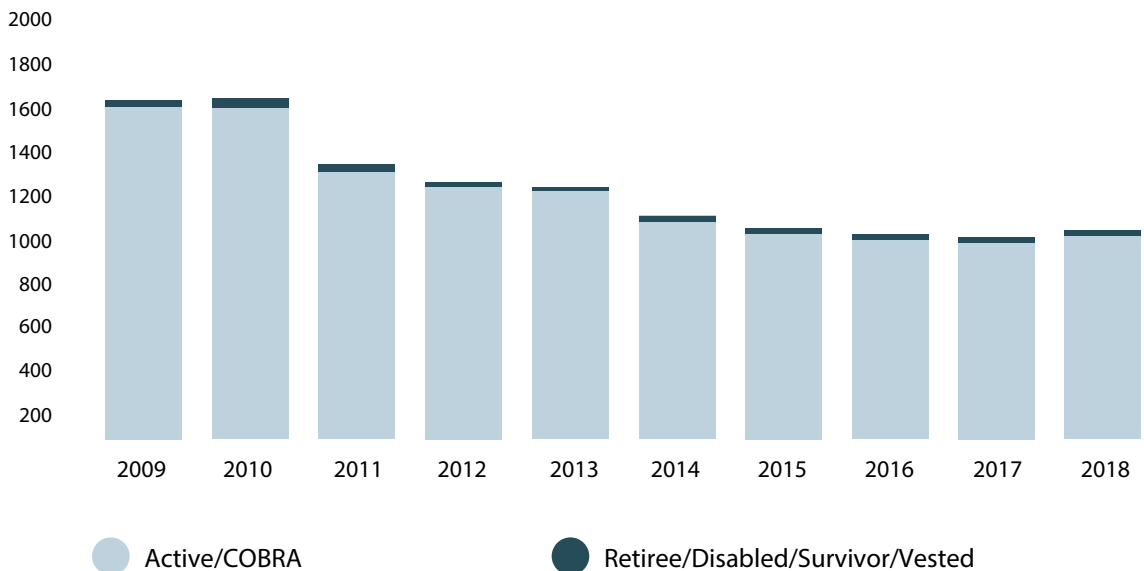
Enrollment History

Public Entity Membership, ten years ended June 30, 2018

Year	Active	Retiree	COBRA	Total
2009	1,590	7	16	1,613
2010	1,596	14	16	1,626
2011	1,365	13	12	1,390
2012	1,277	10	9	1,296
2013	1,244	9	9	1,262
2014	1,197	14	2	1,213
2015	1,115	12	4	1,131
2016	1,056	14	8	1,078
2017	1,003	5	8	1,016
2018	1,038	4	5	1,047

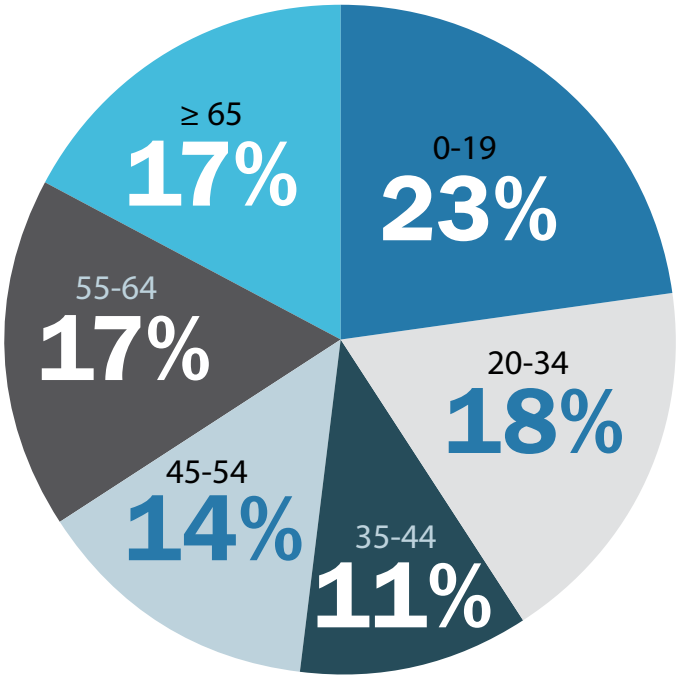
Enrollment Distribution

Public Entity Membership, ten years ended June 30, 2018



Plan Demographics

State Membership, Fiscal Year 2018



Total Lives

95,274

Average Age

41
years



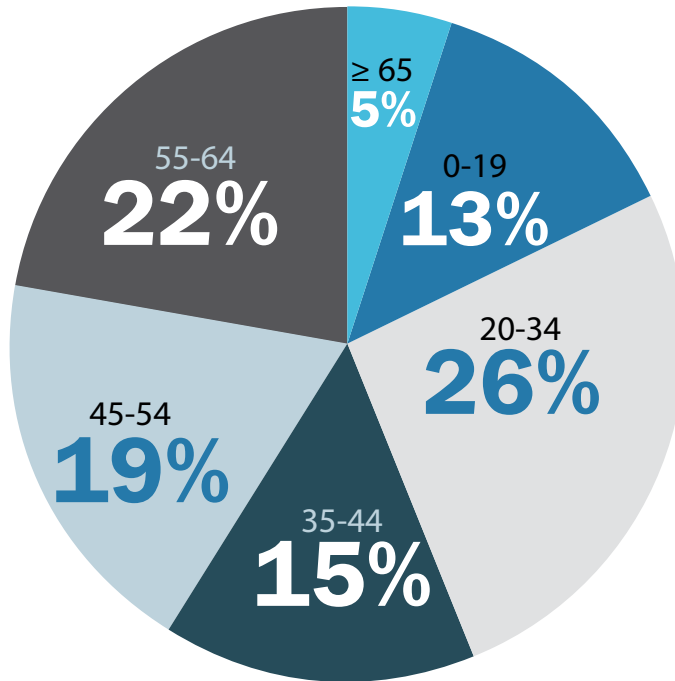
43%



57%

Plan Demographics

Public Entity Membership, Fiscal Year 2018



Total Lives

1,047

Average Age

41
years



44%



56%

Every member.
Every moment.
Health matters.

